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OF

THE AUDITOR-GENERAL

ON

**BUSIA WATER AND SEWERAGE SERVICES
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



BUSIA WATER & SEWERAGE SERVICES CO LTD

BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

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Busia Water and Sewerage Services Co. Ltd

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I. KEY ENTITY INFORMATION

Background information

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

Principal Activities

The principal activity of BUWASSCO is to:

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

Vision, Mission and Core Values

Vision

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

Mission

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

Core Values

- Professionalism
- Accountability
- Customer Focus
- Equity
- Integrity

- Teamwork

Directors

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

- | | | |
|----------------------|----------------------------|---|
| 1. Dr. George Kwedho | - Chairman | - Appointed on 1 st December, 2018 |
| 2. Dr. Isaac Alukwe | - CEC.DWINER | - Appointed on 1 st December, 2018 |
| 3. Phaustine Barasa | - CEC. Finance and ICT | - Appointed on 1 st December, 2018 |
| 4. Francis Omondi | - Chair, Finance Committee | - Appointed on 1 st December, 2018 |
| 5. Darya Susan | - Member | - Appointed on 1 st December, 2018 |
| 6. Joseph Esemé | - Member | - Appointed on 1 st December, 2018 |
| 7. Fredrick Toloyi | - Member | - Appointed on 1 st December, 2018 |
| 8. Mr. Erick Ojiambo | - Managing Director | - Appointed on 3 rd July, 2020. |

Corporate Secretary

Mr. Pamphil Oundo,
P.O. Box 3325-40100,
Lavictors House,
Off Ring road Milimani Market,
Kisumu – Kenya.

Registered Office

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

Corporate Headquarters

County Government of Busia,

Dept. of Water, Irrigation, Environment and Natural Resource compound,

P.O Box 392-50400,

Busia, Kenya.

Corporate Contacts

Telephone: (254) 796523854

E-mail: info@buwasco.co.ke

Website: www.buwasco.co.ke

Corporate Bankers

1. Co-operative Bank of Kenya,
P.O. Box 595-50400,
Busia Kenya.

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

3. Kenya Commercial Bank
P.O Box 27-50400
Busia Kenya
Box 595-50400
Busia Kenya

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

Busia Water and Sewerage Services Co. Ltd

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II. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 Dr. George Kwedho, Ph.D. Doctor of Philosophy in Environmental Planning	Male 61 years, Kenyan Citizen He is an Engineer with vast experience in the Water Sector Managing Consultant, Fepan Global Agencies Co. Ltd
2.	 Dr. Hon. Isaac Alukwe, PhD CECM, Department of Water, Irrigation, Environment & Natural Resources as well as Climate Change Coordination.	Male, Kenyan Citizen with vast knowledge in Engineering He has more than 20 years of professional experience working in Water Policy and Governance, Water Resources Management, Water Quality and Treatment Technologies, Climate Change and Adaption Strategies as well as WASH.
3.	 Hon. Phaustine Barasa She has a Master's Degree in Educational Administration and Planning.	Female, 54 Years, Kenyan Citizen with vast knowledge in Financial Management and Education Planning. CECM, Department of Finance & Economic Planning, County Government of Busia
4.		Male 46 years, Kenya Citizen He has a lot of experience in both private and public sector

	Adv. Francis Omondi Bachelor's Degree in Law Advocate of the High Court	
5.	 M/s. DARYA A. SUSAN Master of Arts in Project Planning and Management	She is a Human Resource Expert She is also a Senior Administrator, University of Nairobi She has vast experience in public sector Human Resource Management
6.	 Mr. Joseph Esemé Bachelor's Degree in Early Childhood Education.	Male 54 years, Kenyan Citizen He is a Teacher with vast experience in public administration Head Teacher, Rwatama Primary School
7.	 CPA Fredrick Toloyi Musungu Bachelors of Commerce - Accounting MBA Finance	Head of Finance Lake Victoria North Water Works Development Agency. He has over twenty (20) years proven experience in accounting, finance, governance, risk management and strategic planning; both in the public and private sector.
8.	 Mr. Erick Ojiambo Nakitari Managing Director Bachelor's Degree in Civil and Structural Engineering	Male 54 years Holds a Master's of Science in Water Engineering He has vast experience of over 20 years in the Water Sector having served in both Public, Water Sector Based NGO's and the Private Sector both locally and internationally.

III. MANAGEMENT TEAM

Ref	Management	Details
1.	 Mr. Erick Ojiambo Nakitari Managing Director Bachelor's Degree in Civil and Structural Engineering	Male 54 years Holds a Master's of Science in Water Engineering He has vast experience of over 20 years in the Water Sector having served in both Public, Water Sector Based NGO's and the Private Sector both locally and internationally.
2.	 Mr. Collins Oduori Nyota Ag Technical Manager	He has a Bachelor's degree in Soil, Water, and Environmental Engineering from Jomo Kenyatta University of Science and Technology He is currently undertaking a Master's of Science Degree in water resource engineering at Masinde Muliro University of science and technology
3.	 Ms. Sarah Patrick Akasiba Human Resources Officer	Female, Kenyan Citizen She has a Bachelor of Science in Human Resource Management She holds Certified Human Resource Professional (CHRP) 1 She is a member of IHRM
4.		He is a Certified Public Accountant CPA (K) He holds a Bachelor of Commerce Degree, Marketing Option He has vast experience in the water sector having worked as an Internal Auditor for Kakamega Busia

	Mr. Frankline Mukaka Internal Auditor	Water Supply
5.	 John Wekesa Obonyo	Commercial and Finance Manager Date of Birth: 29.10.1985 He is currently undertaking a Master's of Science Degree in Development Finance. He holds KATC and CPA final certificates and has a degree of Bachelor of Commerce Finance Option. He has also served in different public institutions hence has vast experience in the public sector.

IV. CHAIRMAN'S STATEMENT



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

the County Government of Busia in the devolved function of water services provision.

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

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

A handwritten signature in dark ink, appearing to read 'George Kwedho', written over a dotted line.

Dr. George Kwedho, Ph.D.
Chairman

V. REPORT OF THE CHIEF EXECUTIVE OFFICER/ MD/ DG



Busia Water and Sewerage Services Company Limited (BUWASSCO) was incorporated on April 18, 2014 under the companies Act (Cap 486). Its mandate is to supply water and provide sewerage services to residents of Busia County through a service provision agreement with Water Services Regulatory Board (WASREB). Water and sanitation services in Busia were previously

provided by Lake Victoria North Water Services Board since 2012 through **Kakamega – Busia Water Supply (KBWS)**, a cross county water services provider. Water provision being a devolved function, Kakamega and Busia counties resolved to de-cluster from KBWS effective July 1, 2016 with each county forming its own water company. The company has diversified its services across the county and now has seven schemes within the county namely, Mundika, Nambale, Malakisi, Amukura, Amagoro, Matayos, and Bujumba/Burinda, These schemes are mainly served by water pumped from our treatment works in Mundika and Malakisi. According to **Impact No. 13 WASREB Report 2019/20**, BUWASSCO water provision services reached **311,648** people out of a population of **893,681** in Busia County.

Through the support of the Board, the company has established Corporate Governance structures including having a management team of professionals, comprising of the Managing Director, Commercial and Finance manager, Technical manager, Human resource manager and Internal Auditor. The management is now working on increasing water production capacity through Rehabilitation/Revival of stalled boreholes within its area of jurisdiction and reduction of Non-Revenue Water so as to increase revenue for sustainability of the company. The company is also addressing the high operation and maintenance costs through Solarisations of pumping stations so as to reduce on the electricity bills. The management is confident that the company is headed in the right direction of self-sustainability.

A handwritten signature in black ink, appearing to be 'Erick Ojiambo Nakitari', written over a dotted line.

Mr. Erick Ojiambo Nakitari.

Managing Director

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Busia Water and Sewerage Services Company Limited has four strategic pillars and objectives within its Strategic Plan for the FY 2020/2021- 2024/2025. These strategic themes are as follows:

Theme 1: Water, sewerage and sewerage infrastructure development

Theme 2 Operational efficiency and customer service

Theme 3: Financial sustainability

Theme 4: Institutional Capacity strengthening

Busia Water and Sewerage Services Company Limited develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company's achievement on its performance targets set for the FY 2020/2021 period for the four strategic pillars were analysed as indicated in the diagram below:

Theme	Objective	Strategy
Water, sewerage and sewerage infrastructure development	Increase water supply coverage from 35% to 60% by the year 2025. Current Performance is 45%	☐ Increase water production capacity from 5,408 m3 to 13,408 ☐ Install new water infrastructure ☐ Rehabilitate the existing water infrastructure
	Increase Sewerage coverage from 4% to 10%. Current performance is still 4%.	☐ Rehabilitate the existing sewerage infrastructure ☐ Expand sewerage network coverage to major towns ☐ Improve Exhauster Services by rehabilitation/purchase of exhauster truck.
	Adhere to WHO guidelines and achieve KEBS standards on water and waste water.	☐ Effective water and waste water treatment ☐ Compliance to regulatory requirement on handling and disposal of wastewater. Currently the Company is compliant with all the above.
Operational efficiency and customer service	Reduce non-revenue water from 70% to less than 20%. Currently the Company is at 68%.	☐ Active leak detection ☐ Pressure management ☐ Improve meter accuracy ☐ Develop a NRW reduction strategy ☐ District metering

Theme	Objective	Strategy
		☐ Change of pipelines ☐ Administrative action on illegal water connection
	To ensure 100% safety and optimal utilization of company resources.	☐ Strengthen internal controls ☐ Develop and implement a risk management framework ☐ Ensure business systems continuity ☐ Ensure effective asset protection The Company is progressively complying with all the identified requirements.
	Ensure 100% automation and integration of all business processes by 2023	☐ Improve automation levels ☐ Ensure all systems are integrated The Company has automated the billing system, accounting and HR Units.
	To increase customer satisfaction level from 73% to 99% by June 2025 Increase Sewerage coverage from 4 % to 10 % by the year 2025. The Company's current performance is at 74%, and sewerage coverage still at 4%.	☐ Develop and implement a Customer Service Charter ☐ Develop and implement customer relationship management systems ☐ Enhance customer and stakeholders communications and engagements ☐ Increase the number of active sewer connections from 732 to 1092 by 2025
Financial sustainability	Improve O&M cost coverage from 62% to 150%. Current Performance at 99%.	☐ Increase the number of active water connections from 6,796 to 9,716 by 2025. Currently at 7288.
	Increase the current revenue base from Kshs. 2.8 million to Kshs.11.16 million per month by 2023. Current performance 4.5M.	☐ Review water and sewerage tariffs ☐ Diversify sources of revenues ☐ Source for external financial and non-financial resources
	To improve collection efficiency from 71% to 95% by 2025. Currently at 82%.	☐ Diversify revenue collection points and payment modes. ☐ sensitize customers on the need for timely and prompt payment of bills

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	Reduce accounts receivables from Ksh. 66 million to not more than Ksh. 58 million by 2025. 75% bad debt.	☐ Formulate and implement debt management policy and structure ☐ Reduction of overdue debt days from the current 180 to less than 30 days ☐ Provide for bad and doubtful debts Current at 114M after inheriting more sewerage connections.
	Increase billing efficiency (actual meter reading) from 60% to 100%) Increase billing efficiency (actual meter reading) from 60% to 100%)	☐ Improve billing efficiency and effectiveness ☐ Improve on meter reading and capture ☐ Replace old meters Currently all meter are being read i.e. 100% meter reading.
	Strengthen financial management systems	☐ Implement an integrated financial management system ☐ Review and implement financial management and audit policies
Institutional Capacity strengthening	Achieve 100% organizational alignment	☐ Implement the desired organization structure ☐ Carry out staff rationalization Being Achieved Progressively.
	Improve employees' satisfaction level from 40% to 90%	☐ Improve employee capacity and competencies ☐ Improve on the working conditions/ environment Current performance at 70%.
	Institutional strengthening	☐ Implement institutional policies and procedures ☐ Implement institutional strengthening systems
	Develop risk management framework	☐ Asset Protection ☐ Develop a Risk Strategy Currently a water safety plan and a disaster management plan are already developed.
	Embed good corporate governance in BUWASSCO	☐ Strengthen capacity of the board on corporate governance ☐ Develop Board structures and instruments
	Improve BUWASSCO's branding/ corporate image	☐ Identify and implement appropriate branding for BUWASSCO ☐ Being achieved progressively.

VII. CORPORATE GOVERNANCE STATEMENT

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

The company Board of Directors was appointed by the Governor of Busia County, to perform the following functions; Ensure proper and efficient exercise of the powers and performance of the functions of the company. Advise the management generally on the exercise of the powers and the performance of the company. Approve the estimates of the revenue and expenditure of the company. To ensure there was no compromise on principles of corporate governance, Board of Directors underwent training on the same as well as the Code of Conduct. During the financial year just ended three Full Board meetings were held as well as three Board Committee meetings. The remuneration of the Board was discussed and determined during the first Full Board meeting.

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

- Professional bodies, Women organizations, business and manufacturing communities.
- The Executive Committee Member in charge of Water, Environment, Irrigation and Natural Resources.
- The Executive Committee Member in charge of Finance and Economic Planning.
- Regular meetings of the Board are held quarterly. Special meetings may be called by the chairman.
- The company's director shall act in good faith, with due care and in the best interest of the company and its shareholders.

- Each director is expected to attend board meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

Board Committee

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

Board Remuneration

- By resolution of the Board each director shall receive a net of Ksh.14,000.00 as sitting allowance and Ksh. 2,000.00 lunch and travelling allowances, if lunch is not served during the meeting. The Chairman receives a monthly allowance of Kshs. 35,000.00 subject to 30% tax. As compensation the Board shall be allocate an amount not more than 5% of the total revenue of the company.

Audit and Governance Committee

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

development of, compliance with, and periodic review of corporate governance policies and practices in the company.

The Technical Committee

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

Finance and Administration Committee

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

Board Meetings

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

	Directors	No of meetings attended
1	Dr. George Kwedho, Ph.D.	8/8
2	Hon, Dr. Isaac Alukwe, Ph.D.	6/8
3	Hon. Phaustine Barasa	5/8
4	Mr. Joseph Esemé	8/8
5	Ms. Darya Susan	6/8
6	Mr. Francis Omondi	8/8
7	CPA Fredrick Toloyi	4/8
8	Pamphil Oundo	2 /8

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The company has experienced tremendous growth financially, the company realized an increase in the revenue from Kshs. 53.19M in the previous financial year to a sum of Kshs 58M in this current year. The budgeted revenue for this particular year was Kshs.101 M, a shortfall of Kshs.42M from the actual. The management is taking deliberate measures to recover accounts receivables of Ksh 85M. Busia county government through the department of environment water and natural resources gave the company grants by settling electricity bills worthy Kshs.17.6M during the year.

Busia Water and Sewerage Services Company incurred a total recurrent expenditure of Kshs.58M.

Staff remuneration expense account for Kshs. 39M of the total expenditure. At the end of this financial year June 30th 2020, the company registered an operating loss of Kshs.3.3M.

The company has, through the challenges, been able to comply with income tax act-statutory deductions have been remitted up to date, these are; National Social Security Fund, PAYE and National Hospital Insurance Fund.

Local Authority Pension Trust Fund and staff welfare deductions were not remitted during the entire financial year due to low income collected.

A non revenue water 68% was experienced, a slight increase from last financial year's. This is still higher than the recommended maximum of 25%. Total number of connected customers are 10,832 this are both active and disconnected customers

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile -

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

ii) Environmental performance

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

iii) Employee welfare

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment.

This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It trains employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

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

iv) Market place practices-

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

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

Being a Government entity, the Company only utilized public Barraza's and clinics to advertise its services to the public. However further efforts are being developed to

ensure that branded tents, seats and chairs are used as a marketing strategy during this events.

d) Product stewardship

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

Corporate Social Responsibility / Community Engagements

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

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which shows the true state of affairs of Busia Water and Sewerage Services Company Limited.

Principal activities

The principal activities of the entity are;

Provide water and sanitation services in an effective, efficient and economical manner and shall report to County Government of Busia in accordance with the provisions in the Act.

Comply with all the provisions of the Laws of Kenya relating to the performance of its obligations, including those relating to occupational health and safety of employees. In addition, the company shall operate a quality monitoring and assurance system in accordance with the international standards.

Ensure that assets entrusted to the company are maintained and are in good working condition.

To develop programs for advancement of skills and competencies of employees of the company

Establish mechanisms for promoting customer relations;

Results

The results of the company for the year ended June 30, 2020 are set out from page 1 to 32.

Dividend

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

Directors

The members of the Board of Directors who served during the year are shown on page v-vi

Auditors

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

By Order of the Board

.....
Board Secretary

Busia (K) Date: 26/08/2021

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the entity for that year/period.

The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the entity. The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Finance Management Act, 2012 and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021 and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Directors are of the opinion that the Busia Water and Sewerage Services Company financial statements give a true and fair view of the state of Company transactions during the financial year ended June 30, 2021, and of the Company's financial position as at that date. The Directors further

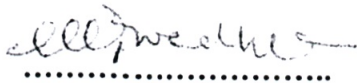
confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of this financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Busia Water and sewerage services company financial statements were approved by the Board on

26-08 2021 and signed on its behalf by:


.....

Dr. George Kwedho, Ph.D.

Chairperson of the Board.


.....

Mr. Ojiambo Erick Nakitari

Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BUSIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Busia Water and Sewerage Services Company Limited set out on pages 2 to 45, which comprise the statement of

Report of the Auditor-General on Busia Water and Sewerage Services Company Limited for the year ended 30 June, 2021

financial position as at 30 June, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Busia Water and Sewerage Services Company Limited as at 30 June, 2021, 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 Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of Fixed Assets Register

The statement of financial position as at 30 June, 2021 reflects property, plant and equipment balance of Kshs.3,528,783 which, as disclosed in Note 12 to the financial statements, includes additions during the year amounting to Kshs.3,371,185. However, the Company did not maintain a fixed assets register indicating the type and nature of assets, location and value as required by Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015.

In addition, the asset movement schedule in Note 12 to the financial statements excludes land and buildings of undetermined value which were owned by the Company as at 30 June, 2021.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,528,783 as at 30 June, 2021 could not be confirmed.

2. Unsupported Bank and Cash Balances

The statement of financial position reflects bank and cash balances of Kshs.5,914,141 as at 30 June, 2021. However, bank statements, certificates of bank balances, cash books and bank reconciliation statements were not provided for audit review.

In the absence of the above supporting documents, the accuracy and completeness of the bank and cash balances of Kshs.5,914,141 as at 30 June, 2021 could not be confirmed.

3. Unsupported Expenditure - Administration Costs

The statement of profit or loss and other comprehensive income reflects expenditure of Kshs.47,772,580 on administration costs. However, the amount includes payments totalling Kshs.481,000 which were not supported by payment vouchers, invoices, goods

received notes among other expenditure documents, and therefore, could not be reviewed.

In the circumstances, the validity and occurrence of the expenditure of Kshs.481,000 could not be confirmed.

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

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

Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on 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 issues have not been included in Appendix I, follow up on prior year audit matters. In addition, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the Statement of the Directors' Responsibilities obtained prior to the date of this report and the annual report which is expected to be provided after that date.

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

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

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. Lack of Legal Instruments

The Management did not provide copies of share certificates, Memorandum of Association and Articles of Association for audit review. Therefore, the ownership status of the Company could not be confirmed.

2. Non-Revenue Water

Review of the water production records revealed that the company produced 1,237,009 cubic meters of water but accounted for only 402,028 cubic meters or 33%. The remaining balance of 834,981 cubic meters or 67% which was unaccounted for represents Non-Revenue Water. However, the loss exceeded 25% allowable limit by Water Service Regulatory Board (WASREB).

Therefore, the Management was inefficient in managing the water resource and was in breach of WASREB Regulations.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing 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, the 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 the entity 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 overall 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 because of these financial statements.

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

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

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

31 August, 2022

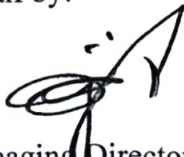
XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.

	Note	2020-2021	2019-2020
		Kshs	Kshs
REVENUES			
Revenue	6	58,524,319	53,191,519
Cost of sales	7	(22,076,670)	(19,836,638)
Gross profit		36,447,649	33,354,881
Other Income			
Grants from the County Government	8	17,624,600	7,693,898
In kind donation from Water Sector Trust Fund	8	1,205,008	2,098,350
TOTAL REVENUES		55,277,257	43,147,129
OPERATING EXPENSES			
Administration Costs	9	(47,772,580)	(41,446,032)
Selling and Distribution Costs	10	(10,221,790)	(3,693,215)
Finance Costs	11	(102,976)	(138,962)
Depreciation Charge	12	(540,504)	(400,473)
TOTAL OPERATING EXPENSES		(58,637,850)	(45,678,682)
PROFIT/(LOSS) BEFORE TAXATION		(3,360,593)	(2,531,553)
INCOME TAX EXPENSE/(CREDIT)		-	
PROFIT/(LOSS) AFTER TAXATION		(3,360,593)	(2,531,553)-

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

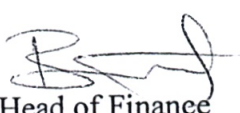
	Note	2020-2021	2019-2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	3,528,783	698,102
Total Non-Current Assets		3,528,783	698,102
Current Assets			
Inventories	13	464,300	1,054,560
Trade and other receivables	14	85,829,784	77,524,111
Staff debtors	15(c)	37,700	-
Bank and cash balances	16	5,914,141	3,566,876
Total current assets		92,245,925	82,145,547
Total Assets		95,774,708	82,843,649
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	17	100,000	100,000
Retained earnings		(1,664,127)	1,696,466
Capital and Reserves		(1,564,127)	1,796,466
Current Liabilities			
Trade and other payables	21	97,338,835	81,047,183
Total Current Liabilities		95,774,708	81,047,183
TOTAL EQUITY AND LIABILITIES		95,774,708	82,843,649

The financial statements were approved by the Board on 26-08 2021 and signed on its behalf by:



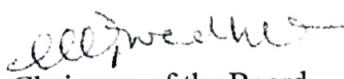
Managing Director

Mr. Erick O. Nakitari



Head of Finance

Mr. Nelson R.M. Bunyasi



Chairman of the Board

Dr. George Kwedho, Ph.D.

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary share capital (Ksh)	Retained earnings (Ksh)	Grants (Ksh)	Total (Ksh)
At July 1, 2019	100,000	4,228,019		4,328,019
Profit for the year	-	(2,531,553)		(2,531,553)
At June 30, 2020	100,000	1,696,466		1,796,466
At July 1, 2020	100,000	1,696,466		1,796,466
Profit for the year	-	(3,360,593)		(3,360,593)
At June 30, 2021	100,000	(1,664,127)		(1,564,127)

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	22	9,285,326	(6,114,753)
Net cash generated from/(used in) operating activities		9,285,326	(6,114,753)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(3,371,185)	(129,850)
Net cash generated from/(used in) investing activities		(3,371,185)	(129,850)
Cash flows from financing activities			
In kind Donation from County Government		-	7,693,898
Financing through Customer Deposit Account		-	1,513,613
Net cash generated from/(used in) financing activities		-	9,207,511
Increase/(decrease) in cash and cash equivalents		2,347,264	2,962,908
Cash and cash equivalents at beginning of year	16	3,566,877	603,968
Cash and cash equivalents at end of the year		5,914,141	3,566,876

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
PERIOD ENDED 30 JUNE 2021**

Items	Original budget	Adjustme nts	Final budget	Actual on comparab le basis	Performan ce difference	% of utilisati on	Notes
	2020- 2021	2020-2021	2020-2021	2020-2021	2020-2021	2020- 2021	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Water Sales	60,000,000	(25,000,000)	35,000,000	34,245,385	754,615	98	Water Sales Targets were within the Threshold
Sewerage Sale	21,500,000	300,000	21,800,000	17,827,934	3,972,066	82	Sewer sales were below targets due to frequent vandalism of Sewer Lines
Meter Rent	5,705,880	-	5,705,880	3,623,400	2,082,480	64	Meter Rent collections were below target due to a lower metering ratio within the Company
Water bowsers	3,300,000	200,000	3,500,000	1,452,500	2,047,500	42	Water Bowser sales were below target because the Company did not manage to get funding to purchase an additional one
Exhausters	2,000,000	350,000	2,350,000	1,375,100	974,900	59	This Revenue Source was below target due to one broken down exhauster
Other Income	330,000	(30,000)	300,000	-	300,000	0	This Votehead did

							not receive any revenue because the Company did not undertake any miscellaneous activities
Debt Recovery	14,850	(14,850)	14,850	14,850	14,850	100	
Conditional Liquidity Support Grant for The World Bank	-	6,865,462.00	13,730,924.00	-	13,730,924.00	0	The votehead underperformed because WSTF delayed funds disbursement awaiting contract signing by their Chief Executive Officer which was done on 27th of July 2021
Grants from County Govt	20,000,000	7,800,000	15,560,000	17,624,600	(2,064,600)	113	This Votehead performed beyond the budgeted due to increased allocations from the County Government of Busia
Chemicals Grant from Water Sector Trust Fund	-	2,104,161	2,104,161	1,205,008	-	57	This Vote Head was budgeted under supplementary budget as support given to the Company as a result of the COVID-19 Pandemic

Total income	92,850,730	(7,425,227)	100,065,815	77,353,927	21,812,735	77	
Expenses		-					
Board Of Directors Expenses	2,497,530	749,534	3,247,064	3,011,384	235,680	93	This Votehead underperformed because the Company strictly adhered to the four quarterly meetings provided for under Wasreb's Corporate Governance Guidelines 2018
Staff Cost	36,321,137	793,053	37,114,190	31,946,212	5,167,978	86	This Votehead underperformed due to the fact that most positions had not been substantively filled by the Company
Levies		6,457,320	6,457,320	3,079,455	3,377,865	48	This Votehead underperformed due to less revenue realized as it is a percentage of revenue
Chemicals	7,540,650	(3,142,400)	4,398,250	2,644,718	1,753,532	60	Chemicals Votehead underperformed due to support received from WSTF donation in kind
Electricity	15,120,00	1,500,000	16,620,000	16,352,49	267,503	98	This

Busia Water and Sewerage Services Co. Ltd

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	0			7			Votehead performed in line with the PFM regulations because of the support received from the Department of Water County Government of Busia
Motor Vehicle Operating Exp	3,437,022	100,000	3,537,022	2,606,183	930,839	74	This Votehead underperformed due to less revenue collected for use under it.
Office & Administrative Exp	23,840,299	(8,608,383)	15,231,916	13,458,464	1,773,452	88	This Budget underperformed due to implemented cost reduction measures by the Company
Operation And Maintenance	4,700,000	-	4,700,000	7,615,607	(2,915,607)	162	This Budget underperformed due to the fact that the Company did not have sufficient funds to finance all operation and maintenance expenses
Total expenditure	93,456,638	(2,150,876)	91,305,762	80,714,520	10,591,242	88	
Capital Budget							
Motor Vehicles	-	500,000	500,000	415,484	84,516	83	The votehead underperformed due to insufficient revenue

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							collected for its purpose
Computers & Other IT Equipment	2,651,120	(2,201,120)	450,000	379,320	70,680	84	The votehead underperform ed due to insufficient revenue collected for its purpose
Water Meters	5,000,000	(3,500,000)	1,500,000	1,405,500	94,500	94	
Pump Sets	3,533,250	(2,533,250)	1,000,000	812,721	187,279	81	The votehead underperform ed due to insufficient revenue collected for its purpose
Pipes and Fittings	3,294,950	(2,894,950)	400,000	358,160	41,840	90	

XVIII. NOTES TO THE FINANCIAL STATEMENT

1. General Information

Busia Water and Sewerage Company Limited is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the County Government of Busia and is domiciled in Kenya. The entity's principal activity is provision of water and sewerage related services within its service area as prescribed by the Water Services Regulatory Authority. The Company is also registered as a Limited Liability Company under the Kenyan Companies Act for reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes 6 – 19 of these financial statements.

These financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Busia Water and Sewerage Services Company Limited. These financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

Title	Description	Effective Date
	effective at the end of its first IFRS reporting period.	
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g., an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Deferred Tax

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 the Central Bank of Kenya and 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.

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 of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled

in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

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 company operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,050 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

w) Budget information

The original budget for FY 2020-2021 was approved by the Board of Directors before 1st July 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. Accordingly, the company recorded additional appropriations of Kshs 1,454,274 on the 2019-2020 budget following the governing body's approval.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) 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.

b) Comparative figures

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

c) 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, 2021.

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.

State all judgements, estimates and assumptions made: e.g

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. Additional disclosure of these estimates of provisions is included in Note 15(c).

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Revenue

	2020/2021	2019/2020
	Kshs	Kshs
Water sales	34,245,385	31,128,025
Sewer Sales	17,827,934	18,660,644
Meter Rent	3,623,400	3,402,850
Water Bowser	1,452,500	
Exhauster	1,375,100	
Total	58,524,319	53,191,519

7. Cost of Sales

	2020/2021	2019/2020
	Kshs	Kshs
Opening stock - Chemicals	774,300	145,151
Add purchases		
Water levies - WARMA	738,482	495,279
- WASPA		145,000
- WASREB (4% Revenue)	2,340,973	2,127,660
Electricity	16,352,497	14,054,824
Chemicals-purchases	2,005,008	3,643,024
Less Closing stock- Chemicals	(134,590)	(774,300)
Total	22,076,670	19,836,638

8. Grants from County Government

	2020/2021	2019/2020
	Kshs	Kshs
Reccurent grants received -Government of Busia	17,624,600	7,693,898
Capital grants realized	-	-
In Kind Donations-Water Sector Trust Fund	1,205,008	-
Total	18,829,608	7,693,898

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Administration Costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Staff costs (note 9,b)	31,946,212	32,252,072
Office Running Expenses		
Auditor's Remuneration	400,000	400,000
Telephone, Postage and Telegram	40,643	363,732
Travel & Accommodation	1,674,725	509,795
Workshops and seminars	70,185	
Office Electricity & Water		31,444
Membership to professional bodies/ WASPA	24,000	22,400
Advertising & Promotions	532,800	358,540
Insurance of Motor Vehicles	597,155	332,278
Newspapers Periodicals and Library Expenses	120	15,600
Office Tea, Cleaning and Hospitality	657,575	629,680
Office Stationery - Opening Stock -122,650	-	-
- Purchases - 1,056,246	-	-
- Closing Stock - (46,410)	1,132,486	653,550
Printing and Photocopying	44,386	-
Consultancy & professional fees	78,000	25,015
Revenue Collection Expenses		
Security Services	1,443,891	2,640,000
General Office Expenses/cross Cutting		
Miscellaneous	186,512	155,716
Office Rent		
IT Expenses	852,003	394,830
Software Maintenance	-	83,860
Maintenance of Office Equipment		100,010
Maintenance of Office Buildings, Repair & Renovations	524,156	
Administrative Licenses & Levies	137,250	5,000
Provision for Doubtful Debts	4,419,097	-
Legal fees	-	-
Sub total	44,761,196	38,973,522
Directors Expenses		
Board Allowances	2,267,464	2,472,510
Chairman's Honoraria	420,000	
Other Board Expenses	323,920	
	3,011,384	2,472,510
Total	47,772,580	41,446,032

9(b) Staff Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries for Permanent Employee	20,349,072	16,030,027
Wages of Temporary Employees	-	2,940,668
Employer contribution-Laptrust	1,867,138	2,389,856
Provision for Gratuity	-	-
Leave and Passage	261,640	524,256
Acting Allowances	102,900	452,551
Airtime Allowances	470,000	433,000
Commuter Allowances	1,502,000	1,740,000
House Allowance	5,436,000	5,814,000
Special Duty Allowances	206,619	173,672
Medical Allowances	501,000	624,600
Seconded Staff Stipend	54,780	128,852
Staff Training	-	66,400
Staff Uniform and Protective Clothing	17,400	48,990
Staff Medical	-	-
Staff Welfare/Funeral Expenses	-	5,000
N.S.S.F	952,560	880,200
Salary Refunds	225,103	-
Total	31,946,212	32,252,072
The average number of employees at the end of the year was:		
Permanent employees – Management	-	-
Permanent employees – Unionisable	35	35
Temporary and contracted employees	40	31
Total	75	66

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Selling and distribution costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Desludging	-	41,050
Operations and Maintenance	-	474,755
Pipes and Fittings:	-	-
Opening Stock - 246,370	-	-
Purchases - 704,820	-	-
Closing Stock - (197,610)	-	753,580
Repair on Parts and Materials	-	56,100
Sub-Total (Maintenance of water supply)	6,828,257	1,325,485
Maintenance of Water Supply	6,828,257	-
Maintenance of Buildings and Stations	-	-
Maintenance of Pumps and Equipment's	691,650	-
Maintenance of motor vehicles	1,252,183	1,436,030
Billing services	-	-
M/Vehicles fuel expenses	1,354,000	931,700
licensee's remuneration fee	-	-
Water Quality Tests and Reagents	95,700	-
Purchase of Bulk water	-	-
Hire of motor vehicles /Plant &Equipment's	-	-
Total	10,221,790	3,693,215

11. Finance costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Bank Charges	102,976	138,962
Total	102,976	138,962

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

There was no valuations during the financial year.

12 (b) Property, Plant and Equipment at Cost

The Property, Plant and Equipment and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Water supply Infrastructure	652,504	116,497	536,007
Water Meters	6,882,500	5,589,440	1,293,060
furniture & fittings	895,096	895,096	-
Office equipment	618,959	469,815	149,144
Computers & related equipment	1,430,620	1,177,740	252,880
Motor vehicles, including, motor cycles	3,062,451	2,750,838	311,613
Pumps & Pump Equipment	1,494,796	508,718	986,078
Total	15,036,926	11,508,143	3,528,783

Property plant and Equipment includes the following assets that are fully depreciated:

		Normal annual depreciation charge
	Cost or valuation	
Furniture and fittings	895,096	23,123
Total	895,096	23,123

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Inventories

	2020/2021	2019/2020
	Kshs	Kshs
Chemicals	134,590	734,300
Pipes and Fittings	283,300	197,610
Stationeries and General Accessories	46,410	122,650
Less: Impairment of stocks	-	-
Total	464,300	1,054,560

14. Trade and Other Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Water Supply Receivables		
- Mundika Scheme	48,958,710	43,199,105
- Nambale Scheme	6,014,449	5,344,929
- Matayos Scheme	9,256,603	8,311,197
- Malaba Kocholia	13,907,509	12,212,873
- Sewer Only Connections	12,111,610	8,456,007
Gross trade and other Receivables	90,248,881	77,524,111
Staff receivables	37,300	
Provision for bad and doubtful receivable	(4,419,097)	-
Net trade and other Receivables	85,829,784	77,524,111

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15. (a) Trade Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross trade receivables	90,248,881	76,724,111
Provision for doubtful receivables	4,419,097	-
Net trade receivables	85,829,784	76,724,111
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,874,780	3,210,852
Between 30 and 60 days	4,105,664	1,683,921
Between 61 and 90 days	3,023,233	2,579,945
Between 91 and 120 days	3,198,955	6,253,368
Over 120 days	77,046,249	62,996,026
Total	90,248,881	76,724,111

15. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	4,419,097	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	4,419,097	-

15. (c) Staff Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross staff loans and advances	37,700	-
Provision for impairment loss	(-)	(-)
Net staff loans	-	-
Less: Amounts due within one year	(-)	(-)
Amounts due after one year	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	37,700	-
Additional provisions during the year	(-)	(-)
Recovered during the year	(-)	(-)
Written off during the year		-
At the end of the year	37,700	-

NOTES TO THE FINANCIAL STATEMENTS

16. Bank and Cash Balances

		2020/2021	2019/2020
	Account Number	Kshs	Kshs
Cash at bank		5,914,141	3,566,877
Cash in hand		-	-
Total		5,914,141	3,566,877

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

Detailed analysis of the cash and cash equivalents

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank Revenue Account	0780279267508	193,069	162,033
Equity Bank Expenditure Account	0780279267525	243,472	531,190
Cooperative Bank Revenue Account	01141237264000	1,339,052	57,933
Cooperative Bank Expenditure Account	01141237264001	1,578,550	19,964
Sub- total		3,354,143	771,120
b) On - call deposits			
Cooperative Bank Customer Deposits	1141237264002	351,210	39,850
KCB - Customers Deposits	1266120025	2,141,311	1,440,770

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		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
Sub- total		2,492,521	1,480,620
c) Revenue Collection Agents			
MMF - M-pesa Pay	689872	-	1,288,375
M-pesa Pay Bill No	689872	67,477	26,762
cash in hand			-
Sub- total		67,477	1,315,137
Grand total		5,914,141	3,566,877

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Ordinary Share Capital

	2020/2021	2019/2020
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000

18. Revaluation Reserve

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

19. Fair Value Adjustment Reserve

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

20. Retained Earnings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Trade and Other Payables

	2020-2021	2019-2020
	Kshs	Kshs
Pan Africa Chemicals	2,066,392	1,342,168
Bulls Security Services	2,756,000	1,740,000
Agra Motor Garage	39,080	-
Conerstone Security Services	376,768	376,768
Davis and Shirtliff	2,942	-
Migori Auto Spare	31,400	31,400
Dominion Dishes	9,600	9,000
Double Shasha	9,600	-
Graneat Motors Services	41,760	-
Meliako Contractors	99,000	146,000
Kibo Africa Limited	215,484	-
Laser Insurance Brokers	436,830	-
Sulis East Africa Ltd	41,000	248,000
Malcoms Agencies	309,021	79,000
Kel Chemicals Limited	1,260,520	1,170,516
Py-rex East Africa Limited	95,700	-
Lionel General Stationaries Offices	390,805	390,805
Aquatreat	95,290	145,290
Boderline Contractors	142,500	142,500
Omondi Plumbers and General Contractors	198,950	-
Palulu Fabrication and General Engineer	15,000	-
Spellion Kenya Limited	55,620	75,620
Stepvits Enterprises Limited	71,960	-
Tonner Solutions	188,640	-
Redseal Solutions Ltd	758,640	-
Jolof Enterprises	110,000	110,000
Joflo	75,200	75,200
Mulembe International Hotel	56,300	-
Farmview Hotel	435,210	340,950
Charlink General Supplies	441,600	441,600
Chloride Exide (K) Ltd	-	21,200
CIC Group	232,278	232,278
Coast Industrial and Safety Supplies Ltd	24,882	140,000
Aidatek Enterprises Ltd	119,990	119,990
Butaya Ventures	110,745	110,745

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Kifaru Auto works	53,000	53,000
Kenya Power and Lighting Company	4,582,459	6,138,972
Total Busia Water Trade Creditors	15,950,166	13,681,002
CREDITORS FROM THE JOINT KAKAMEGA BUSIA		
Auditor General	541,333	541,333
Beatwam Limited Integrated	183,164	183,164
Aquatreat	-	185,127
Bedrock Holdings Ltd	219,623	219,623
Betco Engineering	16,667	16,667
CIC Group	7,032	7,032
Coast Industrial and Safety Supplies Ltd	233,317	233,317
Double Shasha	122,250	122,250
Gm Busolo Contractors	26,000	26,000
Golf Hotel	17,400	17,400
Highrise Designers	19,777	19,777
ICEA Lion General Assurance	594,287	594,287
Julika Automobiles	66,478	66,478
Kakamega General Motors	60,112	60,112
Kinetics Engineering Ltd	348,708	348,708
Legal Fee	333,333	333,333
Lake Victoria North Water Works Development Agency	19,397,035	19,397,035
Morisam Construction	31,627	31,627
Nupaxx Services	585,833	585,833
Pamida Engineering	343	343
Pan Africa Chemicals Ltd	-	778,350
Postal Corporation of Kenya	2,277	2,277
Sahajanand Spares Corner Limited	36,667	36,667
Terranova Autospare	39,410	39,410
Tyretec Autospare	19,333	19,333
Wasreb	-	47,140
Water and Solar Technologies Limited	15,053	15,053
Wekesa Simiyu Advocates	142,753	142,753
	-	
Total Inherited Creditors	23,059,812	24,070,429
	-	
Other Creditors	-	
Net Salaries	2,101,580	2,414,798
N.H.I.F	58,200	61,650
N.H.I.F Penalties	-	803,300
N.S.S.F	1,443,440	188,480
Higher Education Loans Board	-	-

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NITA	235,323	-
Commissioner of Income Taxes	776,610	176,812
Commissioner of Income Taxes - PAYE Penalties	-	60,371
Laptrust	18,192,069	14,838,722
Co-operative Bank of Kenya	3,427,392	3,427,392
Honoraria Net	147,000	-
Board of Directors Sitting Allowances	1,361,500	486,500
BUWASSCO Welfare Association	706,825	-
Lake Victoria North Staff Welfare Loans	-	544,425
The Standard Group	795,000	-
Ukulima Sacco	1,409,861	1,252,461
Wevarsity Sacco Society	153,717	148,917
Auditor General	2,000,000	1,600,000
Prepaid Water	1,322,430	-
WASPA	196,200	55,000
WASREB	4,681,733	1,318,819
W.R.M.A	4,243,693	1,193,031
Lake Victoria North Water Works Development Agency	5,013,685	5,013,685
Total	48,266,258	33,584,363
Customer Deposits		
Balance B/f	9,711,389	8,588,755
Deposits During the Year	361,710	1,133,134
Less Refunds	(10,500)	(10,500)
Net Customers Deposits	10,062,599	9,711,389
Grant Total	97,338,835	81,047,183

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Notes to The Statement of Cash Flows

	2020-2021	2019-2020
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(3,360,593)	(2,531,553)
Depreciation	540,504	400,473
Operating profit/(loss) before working capital changes	(2,820,089)	(2,131,080)
Customer adjustments during the year	3,566,876	602,192
(Increase)/decrease in inventories	590,260	(595,834)
(Increase)/decrease in trade and other receivables	(8,343,373)	(20,476,410)
Increase/(decrease) in trade and other payables	16,291,652	16,486,379
Cash generated from/(used in) operations	9,285,326	(6,114,753)
(b) Analysis of cash and cash equivalents		
Cash at bank	5,914,141	3,566,876
Balance at end of the year	5,914,141	3,566,876

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Dividends Payable

Busia Water and Sewerage Company Limited is regulated as guided by the Water Act 2016 and does not pay dividends to its shareholders hence the Company does not have any outstanding dividends payable to its shareholders as at 30th June 2021.

24. Related Party Disclosures

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

Related entities to Busia Water and Sewerage Company includes:

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

Transactions with related parties

	2020-2021	2019-2020
	Kshs	Kshs
a) Support from Related Parties		
Water Sector Trust Fund – Chemical Support	1,205,008	-
- Construction of DTF	17,200,000	17,200,000
Total	17,405,008	17,200,000
Grants from the Government		
Grants from National Government	-	-
Grants from County Government	17,624,600	7,693,898
Donations in kind	-	-
Total	17,624,600	7,693,898

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	2020-2021	2019-2020
	Kshs	Kshs
Amount due to Related Parties		
Water Services Regulatory Board	4,681,733	1,318,819
Water Resource Management Authority	4,243,693	1,193,031
Lake Victoria North Water Works Development Agency	1,286,999,336	1,286,999,336
Total	1,295,924,762	1,289,511,186
Key management compensation		
Directors' emoluments	2,559,462	2,472,510
Compensation to key management	7,755,177	-
Total	10,314,693	2,472,510

25. Financial Risk Management

The entity'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:

- Take all reasonable and necessary steps to ensure that all debts are recovered;
- Provide reasonable assistance to debtors to facilitate prompt payment of all outstanding debts;
- Assist debtors to enter into part payment arrangements with the Company to enable them make realistic and regular payments towards outstanding bills reduction within reasonable timeframes depending on their financial capabilities;
- Provide reasonable assistance to those who may not be able to meet their obligations to the company due to financial hardship;

Treat all debtors respectfully, sensitively and without prejudice or pre-judgments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

Busia Water and Sewerage Company Limited Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	85,904,662	85,904,662	-	-
Receivables from non-exchange transactions	512,000	512,000	-	-
Bank balances	5,914,141	3,421,620	2,492,521	-
Total	92,330,803	89,838,282	2,492,521	-
At 30 June 2020				
Receivables from exchange transactions	76,724,111	76,724,111	-	-
Receivables from non-exchange transactions	1,054,560	1,054,560	-	-
Bank balances	3,566,877	2,086,257	1,480,620	-
Total	81,345,548	79,864,928	1,480,620	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 entity has significant concentration of credit risk on amounts due from over 120 days.

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	2,503,442	1,977,387	11,469,337	15,950,166
Other Trade Creditors	3,220,327	1,602,710	34,913,751	29,823,840
Inherited Creditors – Kakamega Busia	-	-	23,059,812	23,059,812
Employee benefit obligation	279,446	838,337	27,387,234	28,505,017
Total	6,003,215	4,418,434	96,830,134	97,338,835
At 30 June 2020				
Trade payables	-	-	-	13,681,002
Other Trade Creditors	-	-	-	28,457,030

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Inherited Creditors – Kakamega Busia	-	-	24,070,429	24,070,429
Employee benefit obligation	199,155	597,464	14041,921	14,838,722
Total	-	-	-	81,047,183

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 Finance Department 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 entity'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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

i) Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(1,609,249)	1,696,466
Total funds	(1,609,249)	1,696,466
Total borrowings	-	-
Less: cash and bank balances	5,914,141	3,566,877
Net debt/(excess cash and cash equivalents)	5,914,141	3,566,877
Gearing	0%	0%

26. Incorporation

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

27. Events After the Reporting Period

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

28. Currency

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

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Late submission of Financial Statements	The financial statements had been presented on 25/1/2019. The preceding financial statements i.e. 2018/2019 were presented on 30/9/2019	John Wekesa Obonyo - Accountant	Resolved	30/09/2021
2.1	Unaccounted for Water	The company's non-revenue water was at 57% which was 32% above the sector benchmark. The company has reduced non-revenue water from the 57% to 53% and working on reducing non-revenue water to 25%	Collins Oduori-Ag. Technical Manager	Phased resolution of the non-revenue water	2020-2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.1	Property Plant and equipment	The auditors observed lack of asset register. The company responded by indicating that all company assets were owned by the county government of Busia as per separation agreement signed on 23/9/2016.	Erick Ojiambo Nakitari - Managing Director.	Asset Register was Developed by Dansal and associates	30/09/2021
7.1	Figure of payable and accruals not fully supported	Auditors observed that customer deposits in the company accounts were not supported fully. The company provided certificate of balances and bank statements for the above funds.	Wekesa John Obonyo - Accountant	Resolved	30/09/2021
	Basis for conclusion				

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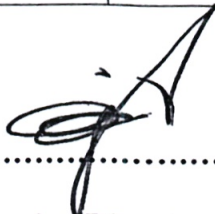
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Staff in acting position	Auditors observed that some members of staff had been in acting for a period of over six months. The company provided approved letters of acting capacity extension for above officers.	Ms. Sarah Patrick Akasiba - Human Resource Officer & Erick Ojiambo Nakitari - Managing Director.	Resolved	30/09/2021
1.1	Internal audit department	The auditors observed that the company had no established internal audit department. The company has established one which is operational	Ms. Sarah Patrick Akasiba - Human Resource Officer & Erick Ojiambo Nakitari- Managing Director.	Resolved	30/09/2021
1.2	Lack of a Board Charter	The auditors observed that the company does not have an approved board of director's charter. The company has a draft of the same that's awaiting approval	Erick Ojiambo Nakitari	Resolved	30/09/2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.3	Information Technology controls environment	The auditors observed that the company does not have an established IT department. The company has established an operational IT department with a qualified ICT officer	Ms. Sarah Patrick Akasiba - Human Resource Officer & Erick Ojiambo Nakitari - Managing Director.	Resolved	30/09/2021


.....
Managing Director

Mr. Erick Ojiambo Nakitari

Date.....

26/8/2021