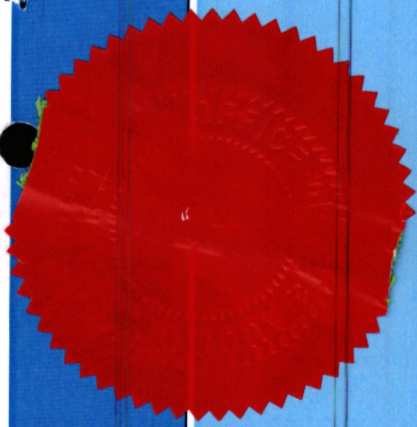
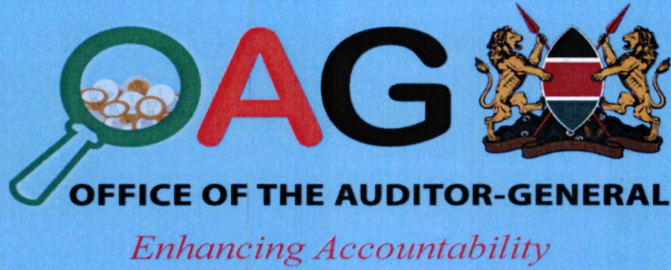


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**SIBO WATER AND SANITATION COMPANY  
LIMITED**

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

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**SIBO Water and Sanitation Company Limited**  
**Annual Reports and Financial**  
**For the year ended June 30, 2022**

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**SIBO WATER AND SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

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

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

**SIBO Water and Sanitation Company limited**  
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**For the year ended June 30, 2022**

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**KEY ENTITY INFORMATION**

**Background information**

SIBO Water and Sanitation Company Ltd Was established by the 2006 Act of Parliament on 12<sup>th</sup> June, 2006. The company was formed by Lake Victoria South Water Works Development Agency and initially mandated to provide Water and Sanitation Services within the 2 districts of Siaya and Bondo, this has since been enhanced to cover Siaya County, represented as follows

1. Siaya Area
2. Bondo Area
3. Ugenya Area
4. Yala Area

**Principal Activities**

The principal activity of the company is to provide water and sanitation services within the county of Siaya.

**Vision**

To be the leader in the provision of water and sewerage services in Kenya.

**Mission**

To provide quality, reliable and affordable water and sewerage services to our customers guided by our Company values, using modern technology and motivated staff to ensure sustainable growth.

**Our Mandate**

The core responsibilities and mandate of SIBOWASCO as a water service provider are stipulated in Section 78. (1) Of the Water Act 2016 and they include:

- The provision of water services within the area specified in the license; and
- The development of county assets for water service provision.

**SIBO Water and Sanitation Company limited**  
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**Directors**

The Directors who served the company during the year/period were as follows:

- |                               |               |                           |
|-------------------------------|---------------|---------------------------|
| 1. Mr. William Ochieng Oungo  | - Chairperson | - Appointed In Nov 2020   |
| 2. Eng. Michael Ogol          | - MD          | - Appointed In April 2021 |
| 3. Mrs. Linda Oguttu          | - Member      | - Appointed In May 2022   |
| 4. Mrs. Hellen Akinyi Otieno  | - Member      | - Appointed In Nov 2020   |
| 5. Eng. Bob Erick Odawa       | - Member      | - Renewed In Nov 2020     |
| 6. Frost Josiah               | - Member      | - Appointed In May 2022   |
| 7. Richard Mugla              | - Member      | - Appointed In May 2022   |
| 8. Mr. Owuor Geoffrey Ochieng | - Alt. Member | - Appointed In Nov 2020   |

**Registered Office**

**Company Headquarters**

Sibo Water and Sanitation Co. Ltd  
P.O. Box 214, 40600  
Opposite Siaya Police Station  
Off Siaya - Boro Road  
Siaya, KENYA

**Company contacts**

Telephone: (254)708558944  
E-mail: [sibowasco@gmail.com](mailto:sibowasco@gmail.com)  
: [info@sibowasco.co.ke](mailto:info@sibowasco.co.ke)

**SIBO Water and Sanitation Company limited**  
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**Company Bankers**

1. KCB Bank Kenya Limited,  
Siaya Branch  
P. O. Box 52  
SIAYA
  
2. The Kenya Post Office Savings Bank  
Siaya Branch
  
4. Safaricom PLC  
Mpesa pay bill number 233491

**Independent Auditors**

Auditor General  
Office of the Auditor General.  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
NAIROBI, KENYA




**Principal legal advisers**

The Attorney General  
Office of the Attorney General and State Law Office and Department of Justice  
Sheria House, Harambee Avenue.  
P.O. BOX 40112 – 00100, Nairobi, Kenya.

Kirui Registrars  
Certified Public Secretaries and Management Consultant  
Ground Floor-Murkiyeny Building  
P.O. Box 1087-20200  
KERICHO, KENYA.



**SIBO Water and Sanitation Company limited**  
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**THE BOARD OF DIRECTORS**

<p>1. Mr. William Oungo</p> 	<p><b>Age:</b> Years</p> <p><b>Academic /Professional Qualification:</b>          Bachelor of Business Administration {BBA}          Mini MBA – Telecoms – London (UK)          Bid Process –Telecommunication Authority          Of San Luciana          ICCP – International Customer Care Skills          Passport (UK)</p>
<p>2. Eng. Michael Ogol</p> 	<p><b>Age :</b> years</p> <p><b>Academic Professional Qualification:</b>          BSc. Mechanical Engineering          Member institute of Engineers Kenya</p>
<p>3. Mr. Richard Mngula</p>	<p><b>Age:</b> years</p> <p><b>Academic /Professional Qualification:</b>          CECM Water, Environment and Natural          Resources</p>
<p>4. CPA Geoffrey Ochieng</p> 	<p><b>Age:</b> 36years</p> <p><b>Academic /Professional Qualifications:</b></p> <ul style="list-style-type: none"> <li>▪ MBA</li> <li>▪ BCOM</li> <li>▪ C.P.A</li> </ul>

**SIBO Water and Sanitation Company limited**  
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**For the year ended June 30, 2022**

<p>5. Frost Josiah</p>	<p><b>Age :</b>years  <b>Academic /Professional Qualification:</b>          ■</p>
<p>6. Eng. Bob Erick Odawa</p> 	<p><b>Age:</b> 69years  <b>Academic /Professional Qualification:</b>  <input type="checkbox"/> BSc. Mechanical Engineering  <input type="checkbox"/> Member institute of Engineers Kenya</p>
<p>7. Mrs. Hellen Otieno</p> 	<p><b>Age:</b> years  <b>Academic/Professional Qualification:</b>          Master of Arts – Diplomacy, Development          And Security Studies          Bachelor of Arts – in peace and conflict          transformation</p>
<p>8. Mrs. Linda Oguttu</p>	<p><b>Age :</b> years  <b>Academic/Professional Qualification :</b></p>

**SIBO Water and Sanitation Company limited**  
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**BOARD COMMITTEES:**

<b>COMMITTEE</b>	<b>COMPOSITION</b>
<b>1. FINANCE, COMMERCIAL &amp; HUMAN RESOURCE COMMITTEE</b>	I. Hellen Otieno- Chairperson
	II. Frost Josiah - Member
	III. CPA Geoffrey Ochieng - Atl. Member
<b>2. TECHNICAL COMMITTEE</b>	I. Bob Erick Odawa - Chairperson
	II. Linda Ogutu - Member
	III. Richard Mngula - Member
<b>3. AUDIT COMMITTEE</b>	I. Linda Ogutu - Chairperson
	II. Bob Erick Odawa - Member
	III. Richard Mngula - Member


**SIBO Water and Sanitation Company limited**  
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**MANAGEMENT TEAM**

<p>1. Eng. Michael Ogot</p> 	<p><b><u>Qualification :</u></b>          BSc. Mechanical Engineering          Member of the Engineers Board of Kenya</p> <p><b><u>Responsibility :</u></b>          Managing Director</p>
<p>2. CPA. Okundi Kevin</p> 	<p><b><u>Qualification:</u></b>          Bcom - Finance          CPA(K)          PGD – Tax and Revenue Administration</p> <p><b><u>Responsibility</u></b>          Finance Manager          Appointed in December 2020</p>
<p>3.CPA George Keter</p> 	<p><b><u>Qualification:</u></b>          MBA(Finance)          B.Com-Accounting          CPA(K)</p> <p><b><u>Responsibility</u></b>          Rick and Internal Audit Manager          Appointed in August 2018</p>
<p>4.Eng. Earnest Ondiek</p>	<p><b><u>Qualification</u></b>          BSC Civil Engineering          Member of Engineers Board of Kenya</p> <p><b><u>Responsibility:</u></b>          Technical Manager (Ag)          Appointed in February 2022</p>

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<p>6. <b>CHRP- Loise Omoga</b></p> 	<p><b><u>Qualification :</u></b> MBA cont. (Industrial Psychology) Bsc. Human Resource Management HND Human Resource Management</p> <p><b><u>Responsibility :</u></b> Human Resource &amp; Admin Manager Joined in October 2019</p>
<p>7. <b>Leonard Ogutu</b></p>	<p><b><u>Qualification :</u></b> MBA cont. (Finance) Bcom – Accounting</p> <p><b><u>Responsibility :</u></b> Commercial and Customer Care Manager Appointed in March 2021</p>

**SIBO Water and Sanitation Company limited**  
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**CHAIRPERSON'S STATEMENT**

SIBO Water and Sanitation Company Ltd Was established by the 2006 Act of Parliament on 12<sup>th</sup> June, 2006. The company was formed by Lake Victoria South Water Works Development Agency and initially mandated to provide Water and Sanitation Services within the 2 districts of Siaya and Bondo, this has since been enhanced to cover Siaya County.

We are gradually improving water and sanitation services provision, through the support received from the County Government of Siaya, Asset developer - Lake Victoria South Water Works Development Agency, the National Government of Kenya and other Development partners like Water Services Trust Fund, Water Services Regulatory Board, Water Resources Authority, Water Services Providers Association, USAID and UNICEF who have all played a key role in our continued growth as a water service provider.

I wish to sincerely thank all the stakeholders, development Partners/Donors for their most kind heart in providing financial and material help .The company has received in the past, mobile water tanker, motor bikes, cold water consumer meters and master meters ( DMA's). All these were realized courtesy of our development partners.

The Commissioning of the AFDB (African Development Bank) funded, Siaya – Bondo water supply project in Yala, by the president on 30<sup>th</sup> May 2021, as greatly improve our daily water production levels, thus improving water service delivery to residents of Siaya, Bondo and Yala, in addition to reducing the high electricity power bills incurred by the company, making our operations more sustainable and reliable.

The company has been growing from leaps and bounds since we took over as members of the Board of Directors. However, we have experienced several challenges including, huge pending bills, owed by the company to suppliers, high level of non-revenue water, poor and dilapidated infrastructure and limited resources, this compounded with the effects of Covid 19 in terms of reduced collections and billing, despite all these hurdles, we as a Board of Directors, have made every effort within our means to sail through the difficulties up to this level.

The Board undertook a major restructuring during the financial year, which turned around the company as evidenced in the financial results. This saw the company acquire professionals with expertise in key areas that ensured that the company's vision is realized. With the implementation of the company's strategic plan and NRW reduction strategies, the Board is positive that a turnaround of the company's fortunes will be achieved. And propel it to greater heights of sound management systems, financial and operational stainability.

We are still working hard and hopefully, we shall achieve our core mandate of providing efficient, clean, safe, affordable drinking water and sanitation services to residents of Siaya County.

**Thank you.**



.....  
**William Oungo**

**CHAIRPERSON – BOARD OF DIRECTORS**

**SIBO Water and Sanitation Company limited**  
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**REPORT OF THE MANAGING DIRECTOR**

I am delighted to present the Annual Report and financial statements for the year ended 30<sup>th</sup> June 2022.

The performance of the company in this financial year witnessed tremendous resilience, to remain relatively stable, despite the slowdown in both the Kenyan and Global economies emanating from the impacts of the Covid 19 pandemic. The company recorded an operating deficit of **Kshs.1, 458,343**, under pinning the challenging business environment that this financial year has been.

The company's internal revenue base grew by 12.79% (Kshs.15, 779,205) from Kshs.123.354 million in the last financial year to Kshs.139.133 million by close of this financial year, a miss of Kshs. 35.818 million from our annual budgeted target, as compared to 23.4 million in the last financial year. The company also received external funding of Kshs.55.5 million from the County Government of Siaya and WSTF, in the form of development and recurrent grants amounting to Kshs 27,014,300 for development / Capital expenditures and Kshs28, 486,565 for recurrent expenses. The corresponding operating expenses stood at Kshs.169.078 million from Kshs.134.659 million recorded in the previous financial year.

During the year our connections grew from an average of 14,546 to 16,500 connections and the billing figure increased from Kshs. 10.280 million averagely per month to a monthly average of Kshs.11.594 million, this against a budget target of Kshs.13.837 million per month.

On the customer satisfaction front, in terms of reliability and hours of supply, we still have room for improvement, however we continue to align our efforts aimed at ensuring that the company's water treatment plants operate in their most efficient and effective way.

Water production levels, has remained a thorn in our flesh with the AFDB, funded Siaya - Bondo

Water supply project, operating at only 63% of its design capacity, with all other production units in our areas operating below 40%, especially Bondo area production units of Asembo and South Sakwa being out of operation for most parts of the year, due to unstable power supply from KPLC, this affected our coverage and reliability which in turn ruined our water sales.

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We hope to bridge these production gaps by installation of hybrid solar system and rehabilitation of the intake works in the next financial year by addressing such short comings with the assistance of our development partners.

So far the company have installed standby pumping unit at Bondo water treatment works, with Plans of installing a standby pumps at South Sakwa, Asembo and Mauna treatment plants to leverage on service hours and reliability of supply.

The Ugunja, Segwa and Ukwala water project, is expected to greatly improve access to water in the wider Ugenya area following its anticipated commissioning in the course of the next financial year 2022 / 2023, this will see the company move from borehole schemes in the larger Ugenya area to turbine driven and gravity dependent water distribution network.

In the human resource and administration front, the department managed to resolve major administrative issues both within the organization as well as with the regulatory authorities which has boosted the morale, productivity and discipline amongst our employees. The management is implementing performance contracting to all staff as a way of ensuring quality service provision to our esteemed customers and for improved business performance. This will also ensure effective and smooth administrative operations.

The Non-Revenue Water (NRW) menace poses sustainability threat to the company and a NRW team has been formed with clear terms of reference to steer the implementation of NRW reduction strategies that will ensure that NRW levels are kept at a maximum of 45% from current average of 62.7% in the current financial year, through a clear NRW Reduction roadmap. Some of the planned activities to be adopted in the reduction and management of NRW levels, include but not limited to;

- i. Metering of all flat rate connections
- ii. Replacement of stuck and malfunctioned meters
- iii. Customer GIS mapping
- iv. Regular inspection of dormant accounts to establish and regularise illegal water use
- v. Establishment of DMA's for easy of water management
- vi. Ensuring 100% of customers' meter reading and billing.
- vii. Rehabilitation of damaged / dilapidated pipelines.
- viii. Effective control of over flows from storage facilities

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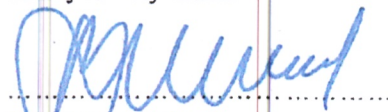
**For the year ended June 30, 2022**

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- ix. Prompt response to burst and leakages
- x. Embrace use of quality materials for operations and maintenance.
- xi. Staff capacity building through training and benchmarking.
- xii. Strengthening of NRW unit.
- xiii. Rehabilitation of leaking storage tanks in Segu, South Sakwa and Mauna.

Finally, on behalf of the management team of SIBO water and Sanitation Company, I wish to thank the Board of Directors for the prudent guidance and direction and the entire staff for their dedication and hard work, the customers for their support, and to all the stakeholders of the company. I also wish to express my gratitude to Water Sector Trust Fund (WSTF), Lake Victoria South Water Works Development Agency, Siaya County Government and Kenya Integrated Water, Sanitation and Hygiene (KIWASH) for their continued support to the company that has enabled us to make the much needed difference in pursuit of our stated mission and vision.

Thank you very much.



Eng. Michael Ogol  
**Managing Director**

**SIBO Water and Sanitation Company limited  
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**1. COMPANY GOVERNANCE STATEMENT**

Company Governance is a system of rules practices and process by which a company is directed and controlled. Company Governance involves many stakeholders e.g. shareholders, senior management, customers, suppliers, financiers, the government and the Community. It also provides framework for attaining SIBOWASCO objectives and includes practically every sphere of management from action plans and internal controls to performance measurement and Company disclosure.

The Board of Directors is pivotal in governance, and can have major ramifications for equity valuation.

Communicating a company's Company governance is a key component of community and investor relations.

The company outlines its Company leadership, constitutive documents, Board charter, committee charter and articles of incorporation.

Good Company governance creates a transparent set of rules and controls in which Shareholders, Directors and Officers have aligned incentives.

For this purpose we have considered some areas of Company governance in Sibowater and Sanitation Company Limited as follows:-

**1. Number of Board meetings**

Committees	-	Twelve(12)
Full Board	-	Four (4)
Special Board Meetings	-	Seven (7)
Annual General Meeting	-	One (1)
Consultative	-	Five (5)

**2. Attendance to Board meetings**

Committees	-	99%
Full Board	-	100%
Average for both	-	99%

**3. Succession plan**

Article 93 B of the Company's Articles of Association deals with Board succession policies and period in office.

The Article specifically provides for retirement of two thirds of the stakeholder Directors. This then leaves a third for institutional memory and succession.

**4. Existence of a Board charter**

A Board Charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and management in setting the direction, the management and the control of the organization.

**5. Process of appointment and removal of Directors**

The Procedure for appointment and removal of Directors are clearly stated in the Company's Act No. 17 of 2015 and the Company's Articles of Association.

The procedure under Article 68 (i), (ii), (iii) and (iv) clearly spells out the size of the Board, background of the Directors, eligibility criteria and stakeholder participation

**6. Procedure. Further, Article 84 deals with disqualification of Directors. The Companies Act further provides procedures for removal of Director.**

**7. Roles and functions of the Board**

Article 73 of the Company's Articles of Association spells out the powers, duties, functions and authorities of SIBOWASCO Board. It states that the Board of Directors shall adhere to the Memorandum and Articles of Association whose first object is to be an agent of the Water Services Board. Specifically, the Board of Directors shall:

- i. Before commencing business sign the code of ethics as circulated by WASREB.
- ii. Have a schedule of full Board meetings at the end of every year for the next year.
- iii. Have only one full Board meeting in every quarter.

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- iv. Inform the respective County Government (CECM in charge of water services) of other meetings not within the schedule of Board meetings.
- v. Employ and define the limits of authority of the Managing Director and other top executives in a schedule of duties.
- vi. Approve an Annual budget, Procurement plan and Annual work plans.
- vii. Devote sufficient time to their responsibilities.
- viii. Have an approved organizational structure and adhere to the staff productivity ratio guideline by WASREB.
- ix. Have a performance management and appraisal system in place.
- x. Map out communication strategy for both internal and external liaisons.
- xi. Embark on benchmarking with other WSP to constantly monitor management performance and the financial progress of the company.
- xii. Evaluate its own performance at least once every year based on the Service Provision Agreement.
- xiii. Ensure that the company is properly managed and for the attainment of lawful objectives.
- xiv. Ensure that the company's affairs are not managed or conducted in a manner oppressive to any of its shareholders or for fraudulent purposes.
- xv. Ensure that the company complies with all statutory requirements including directives issued by WASREB.
- xvi. Ensure that sitting allowances and other expenditures of the Board and its committees do not exceed two percent of the annual recurrent budget for a WSP for efficiency purposes;

### **8. Induction and training**

An induction program is a structured way of providing Board members with all the information and the support they need to be confident and productive in their role.

The aim is to help new members to understand the organization, the environment in which it operates, and their role in making the organization a success.

Continual training and development keeps Board members abreast of acceptable activities, policies, rules and regulations impacting the organization. This also involves training them on the ever changing business environment, new technology and their challenges.

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**9. Board and member performance**

Article 73 (i) of the Company's Articles of Association clearly states that the Board shall evaluate its performance once every year and set up achievable action points to assess its performance as a whole and that of individual members including the Managing Director.

The resultant report is then presented to the shareholders.

**10. Conflict of interest**

Conflict of interest is a transaction or relationship which presents or may present a conflict between a Board member's obligations to the Company and the Board member's personal, business or other interests.

The Company has a conflict of interest register.

The Companies Act No. 17 of 2015 and the Company's Articles of Association clearly spell out the provisions and sanctions of non-compliance with the same.

**Board remuneration**

Article 73 (h) (5) clearly states that the Board shall set up an independent ad Hoc Committee to fix the remuneration of Directors which must remain within the benchmark set by WASREB.

The total Board expenditure for the financial year was Kshs. 5, 859,406.

**Ethics and conduct**

The Code of conduct and ethics defines business conduct of the Directors of SIBOWASCO and embodies their commitment to pursue the highest standards of ethical conduct. The code is intended to describe areas of ethical risk, provide guidance to Directors and helps foster a culture of honesty, transparency and accountability.

Article 68 (IV) (7) of the Company's Articles of Association clearly states that Directors

Must sign the code of ethics before commencing the day's business. The Directors signed a code of ethics and conduct.

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**Governance Audit**

A Governance Audit is an independent assessment of an organization with a view to expressing an opinion on the adequacy and effectiveness of the organization's policies, systems, practices and processes. It is an objective assurance engagement.

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Kirui Registrars  
Certified Public Secretaries and Management Consultant  
Ground Floor Murkiyeny Building  
P.O. Box 1087-20200  
KERICHO, KENYA

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MANAGEMENT DISCUSSION AND ANALYSIS

**PERFORMANCE OVERVIEW**

**1.1 INTRODUCTION**

The management of SIBOWASCO hereby presents to the shareholders and stakeholders reports and statements on the financial performance of the company for the financial year ended 30<sup>th</sup> June 2022. The year was characterized with tremendous revenue growth and investments towards improved services.

**1.2 REVENUES**

The company achieved a total income of **Kshs.194, 634,864** against a budgeted figure of **Kshs.280, 752,393** representing a **69.326%** budget attainment rate (Kshs. 86, 117,529 short fall from the budget projections). Representing a 20.21% increase from the previous year's total income which stood at **Kshs.161, 916,348**.

These incomes were made up of company water sales at **Kshs.114,642,349** sewerage sales at **Kshs.7,593,996** Bowser, Excavator and Exhauster services at **Kshs.4,405,450**, meter rent at **Kshs.6,115,700**, grants from County Government at **Kshs.23,790,291** {with 8,790,291 being in support of recurrent expenses - electricity bills and 15,000,000 being geared towards acquisition of capital assets / development}, at total of **Kshs.31,710,574** was also received from WSTF in the form of conditional liquidity support grant being Kshs.19,696,274 in recurrent expenses support and Kshs.12,014,300 marked for quick start quick finish capital investments, other miscellaneous income at **Kshs.6,376,504**.

	<b>2021 / 2022</b>	<b>2020 / 2021</b>	<b>VARIANCE</b>	<b>%</b>
Water sales	114,642,349.00	101,986,688.00	12,655,661.00	12.41
Sewerage Sales	7,593,996.00	6,077,707.50	1,516,288.50	24.95
Excavator, Exhauster & Bowser services	4,405,450.00	3,178,600.00	1,226,850.00	38.60
Meter rent	6,115,700.00	5,240,200.00	875,500.00	16.71
Grants from County Government	23,790,291.00	19,304,171.00	4,486,120.00	23.24
Other Incomes	6,376,504.00	6,871,598.00	(495,094.00)	(7.20)
Grants from other external donors	31,710,574.00	19,257,383.76	12,453,190.24	64.67
	<b>194,634,864.00</b>	<b>161,916,348.26</b>	<b>32,718,515.74</b>	<b>20.21</b>

The Company also achieved an average monthly billing of **Kshs.11.594 Million**, as compared to **Kshs.10.280 Million** achieved in the previous financial year, translating to a **Kshs.1.314 Million** or a 12.78% increase in average monthly billing.

The average prevailing rate of Non-Revenue Water level at 56% against a sector benchmark of <25%. The management has developed performance improvement plan as outlined on page xiv under the report of the managing director.

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**1.3 EXPENDITURES**

The company incurred a total expenditure of Kshs.204, 253,840 (recurrent and capital expenditures), translating to a deficit of Kshs. – 9,618,976 (194,634,864 – 204,253,840).

The total expenditure of Kshs.204, 253,840 comprised of Kshs.168, 859,581 in recurrent expenses (being 82.67% of total expenditures), with capital expenditures amounting to Kshs.35, 394,259 (being 17.33% of the total expenditures),

In Comparison to the budget (budgetary absorption rate), the performance was as below.

	Budgeted figures	Actual Expenditures	Variance	%
Capital expenditures	65,401,364.00	35,394,259.00	30,007,105.00	54.12
Recurrent expenditures	215,060,905.00	168,859,581.00	46,201,324.00	78.52
<b>Total</b>	<b>280,462,269.00</b>	<b>204,253,840.00</b>	<b>76,208,429.00</b>	<b>72.83</b>

With a cost recovery rate (internally generated funds / total operating expenses) of 82.29% {139,133,999 / 169,078,907 (page 1)}, being a drop of 9.315% from last year's rate of 91.605%, against a sector benchmark of >\_100%.

**1.4 FINANCIAL POSITION**

The company attained net fixed assets of Kshs.101.070Million due to new assets acquired in the course of the financial year. The current assets stood at Kshs.140.865 Million against current liabilities of Kshs.134.993Million, giving a current ratio of 1.043:1 against a recommended ration of 2:1.

There was an addition of 11,304,171 to the capital reserves due to transfer of deferred Income liability to the capital reserves account following successful completion of the projects earmarked for the development support received from the County Government in the FY 2020 / 2021.

With a total net asset base of 61.970M (241,935,131 – 179,964,701) total assets less total liabilities.

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**1.5 COMPLIANCE WITH STATUTORY REQUIREMENTS**

The company is committed to paying all statutory obligations as and when they fall due. These levies and fees are WASREB, WRMA and LVSWWSB levies. There has been a cash flow challenge crippling this commitment over the past and presently. The company will strive to pay current continuous liabilities to such bodies as and when they fall due in the subsequent years.

Amounts owed to these bodies as at 30 June 2022 stood as follows;

WASREB -	19,736,966.02
WARMA -	7,208,033.47
OAG -	2,920,000
WCSO -	235,000
WASPA -	324,800
LVSWWDA -	<u>35,583,930</u>
<b>TOTAL</b>	<b><u>65,508,729.49</u></b>

**1.6 RISKS**

The company faces several risks that might impede the achievement of its objectives. The major risks identified are:-

- i. Harsh economic conditions prevailing in the country due to the impacts of C - 19 in the last two years.
- ii. Credit risk resulting from debtors not paying all their bills as and when they fall due.
- iii. Water pollution due to human activities such as farming, disposal of grease and oil into storm water drainage system.
- iv. Flooding resulting from global warming and climate change, this has brought operational challenges as a result of submerged treatment works at South Sakwa and Asembo bay.
- v. Destruction of water supply and sewerage network during road constructions and rehabilitations.
- vi. Inadequate funds for network expansion and maintenance.
- vii. Delay in receiving support from Development partners
- viii. High maintenance costs owing to the dilapidated status of supply networks and treatment plants
- ix. High inflation rates against constant approved tariff from WASREB.

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**1.7 DEVELOPMENTS**

During the period under review, the company undertook the following capital projects.

Below is a summary listing of the company's projects

PROJECT NAME	FINANCIER	STATUS
1 Rehabilitation of Abura Dam	County Government of Siaya in conjunction with the World Bank	The project is to be funded by the World Bank through the CGS with the Environmental Impact Assessment report already shared with the donor Procurement process done and the project launched by the Governor the project is expected to cost Kshs.44.1M and is scheduled to be completed within 6months
2 Ugunja, Sega and Ukwala water supply and Sanitation project	Africa Development Bank through the National Government to the tune of Kshs.1.1 billion	Project is 85% completed
3 WSTF - Conditional Liquidity Support Grant	The World Bank through Water Trust Fund to the tune of Kshs.12,014,300	<p>Planned interventions # 1 : Construction of In- situ water kiosk (@ kshs.680,000) completed and operational</p> <p>Planned intervention # 2 : Pipeline rehabilitation works (@kshs. 1,984,800) works have been completed</p> <p>planned intervention # 3 : Pipeline extension (@ Kshs.1,194,000) works completed and contractor paid</p> <p>Planned intervention # 4: Improvement of water production( @ Kshs.970,000) rehabilitation of the low lift pump house and clear water tank at South Sakwa T/works have been completed sucessfully</p> <p>planned intervention # 5 : Consumers Metering ( @ Kshs.3,375,00) meters procured and currently being used in connecting new customers and replacement of faulty meters</p> <p>Planned intervention # 6 : Rehabilitation of water storage tanks (@ Kshs 3,810,500) rehabilitation of Sega Market and Ugunja steel tanks completed with the tanks currently in use</p>

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4 County Government Development support for the FY 2021 /2022	County Government of Siaya to the tune of Kshs.15,000,000	<p><b>Planned interventions # 1 : Servicing of Yala Pumps (@ kshs.5,250,000/=)</b> servicing of the pumps has been completed, the contractor being paid for the spare parts replaced pending payment for the service invoice the works were carried out under a supply agreement with Sintora Engineering Company</p> <p><b>Planned intervention # 2 : purchase, installation and commissioning of standby pump sets for Asembo Ndori and South Sakwa T/works @ a cost of Kshs.2,700,000/=</b> tender was previously awarded to jos Hassen &amp; soehen (EA) Ltd, however following delay in deliver of the pumps and motors, the company cancelled the award with intention of readvertising the same</p> <p><b>planned intervention # 3 : Sectional repair of South Sakwa clear water rising mains</b> works awarded to Kaduol enterprises at a cost of Kshs.3,120,000 with damaged sections sucessfully being replaced and supply fully restored currently</p> <p><b>Planned intervention # 4: Pipeline extension at a total cost of Kshs.1000,000</b> the company utilized the funds to do a pipeline extension to Bondo Slaughter house, with the pipeline and the slaughter house being sucessfully commissioned by the Governor</p> <p><b>planned intervention # 5 : Replacement of filter media for Bondo and Yala old plant at a combined cost of Kshs.1,000,000</b>  replacement of yala old plant and Bondo t/works filters is complete the replacement was done at a total cost of 1,045,000/=</p>
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The company still expects to have more development partnerships that can provide interventions towards, Non-Revenue Water reduction through plant and network rehabilitations and increased metering efficiency so as to achieve sustainable operations. During the Financial year, the company invested in installation of new and replacement of stuck meters by investing an amount of Kshs 15,288,153 towards the purchase of cold water consumer meters, a move aimed towards Non-Revenue water reduction and improved billing.

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**1.8 CHALLENGES**

The company still experiences several challenges crippling its smooth operations. The following are some of the challenges:

- i. High level of outstanding bills due to poor bill payment by the customers, this can be partly attributed to the directive by the president to water companies to avoid disconnection of customers for nonpayment of water bills during this period, this is clearly manifested in the increase of our accounts receivables by Kshs 11,740,600 from Kshs 100,966,496 at close of FY 2019/ 2020 to stand at Kshs 112,707,096 by close of FY 2020 / 2021.
- ii. Low levels of budgetary attainment, especially with regards to projected revenues, this largely resulting from the impacts of the prevailing Covid 19 pandemic and the ensuing containment measure put in place by the National government, which brought about closure of learning institutions, hotels and restaurants, who are our major consumers in terms of volumes of water sold to them.
- iii. Low cost recovery due to old dilapidated system which increases operational costs.
- iv. Vandalism of existing infrastructure by the public especially on the clear water and waste water pipelines and manhole covers
- v. Poor commercial financing access due to poor Asset ratio since most of the assets are developed and owned by Lake Victoria Water Works Development Agency hence the Company's Balance sheet cannot offer loan security.
- vi. High Non-Revenue Water levels occasioned by both commercial and technical losses due to old network system and illegal connections.
- vii. Low network coverage hence low service coverage within the service area High staff turnover rate
- viii. Destruction of water catchment area thereby threatening sustainability of water sources
- ix. Non reliable power supply from the KPLC grid.
- x. Mushrooming of boreholes within our area of jurisdiction.

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the unaudited financial statements for the year ended 30 June 2021 which shows the state of the company's affairs.

**Principal activities**

The principal activity of the company is to provide water and sanitation services within Siaya County.

**Results**

The results of the company for the year ended 30 June 2022 are set out on page 1 – 44.

**Dividends**

The Directors do not propose any dividend for the year

**Directors**

The members of the Board of Directors who served during the year are shown on page iii in accordance with the regulation of the company's articles of association.

**Auditors**

The Office of the Auditor General draws its mandate from the Constitution of Kenya. Chapter 12, Part 6, Article 229 (4).

Which states that

within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on:-

- The accounts of the national and county governments;
- The accounts of all funds and authorities of the national and county governments;
- The accounts of all courts;
- The accounts of every commission and independent office established by this Constitution;
- The accounts of the National Assembly, the Senate and the county assemblies;
- The accounts of political parties funded from public funds;
- The public debt and the accounts of any other entity that legislation requires the Auditor-General to audit.

By Order of the Board

Thank you.



.....  
**William Oungo.**

**CHAIRPERSON – BOARD OF DIRECTORS**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 68 of the State Corporations Act, require the Directors to prepare financial statements in respect of that company at the end of the financial year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

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


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

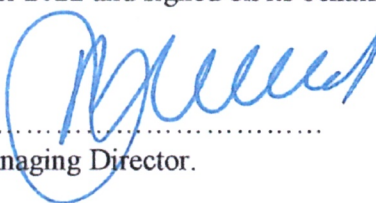
The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards (IFRS), and in the manner required by the PFM Act and the States Corporations act.

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

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

The financial statements were presented to the Board on 27<sup>th</sup> September 2022 and signed on its behalf by:

  
.....  
Chairperson of the Board

  
.....  
Managing Director.

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of SIBO Water and Sanitation Company Limited set out on pages 1 to 51, which comprise the statement of financial position as at 30 June, 2022, and the statement of 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 SIBO Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012, Companies Act, 2015 and the Water Act, 2016.

### **Basis for Qualified Opinion**

#### **1. Unexplained Variance in Customer Deposits**

The statement of financial position and as disclosed in Note 33 to the financial statements reflects customer deposits balance of Kshs.19,638,143 representing an increase of Kshs.4,573,116 from Kshs.15,065,027 held by the Company as at 30 June, 2021. However, review of customers deposits bank account reflected closing balance of Kshs.7,455,540 resulting in unexplained variance of Kshs.12,182,603.

In the circumstances, the accuracy and completeness of customers deposits balance of Kshs.19,638,143 could not be confirmed.

#### **2. Unsupported Financial Statements Balances**

##### **2.1 Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 13a to the financial statements reflects property, plant and equipment amount of Kshs.101,070,129. Included in this balance are additions to buildings and civil works of Kshs.20,302,867 incurred in the previous year, that were not supported with completion certificates. In addition, an expenditure of Kshs.1,917,712, incurred in the previous year, for procurement of a pump with complete three phase panel system, was also not supported with invoice, delivery note and goods received note.

##### **2.2 Prior Year Adjustment**

The statement of changes in equity reflects retained earnings as at 30 June, 2022 of Kshs.11,490,060 after a prior year adjustment on the earnings of Kshs.28,760,865. However, no explanation or disclosure was provided to support the adjustment.

In the circumstances, accuracy and completeness of the prior year adjustment of Kshs.28,760,865 and the resultant retained earnings of Kshs.11,490,060 could not be confirmed.

### 2.3 Income Tax Credit

The statement of comprehensive Income reflects an income tax credit amount of Kshs.437,503, which is an addition of the previous year's credit of Kshs.991,353. However, it was not explained how the income tax credit was derived at, considering that the Company made a loss before taxation of Kshs.1,458,353.

In the circumstances, the accuracy and completeness of the income tax credit of Kshs.437,503 could not be confirmed.

### 2.4 Decrease in Inventories

The statement of comprehensive income reflects an amount of Kshs.159,326 described as decrease in inventories. This amount relates to the movement between the previous year's inventories balance and this year's amount. However, no evidence was provided to show that the amount had not been expended under use of goods and services and therefore double accounting of inventory expenditure.

In the circumstances, the accuracy of the decrease in inventories of Kshs.159,326 could not be confirmed.

## 3. Accuracies and Presentation of Financial Statements

The financial statements submitted for audit were not compliant with the applicable financial reporting framework for water companies published by the Public Sector Accounting Standards Board (PSASB) as highlighted below:

- i. The statement of cash flows reflects acquisition of property, plant and equipment amount of Kshs.35,394,259 and indicate the same is disclosed in Note 13c to the financial statements. However, Note 13c is not included in the notes to the financial statements.
- ii. The comparative figures in the statement of cash flows differed with those reflected in the previous year audited financial statements as indicated below:

Details	Prior Year Audited Balance	Reported Opening Balance	Variance
	(Kshs.)	(Kshs.)	(Kshs.)
Cash generated from operations activities	11,463,840	8,848,656	2,615,184
Increase/ Decrease in cash and cash equivalents	11,407,463	(235,303)	11,642,766
Cash and cash equivalents at the beginning of the year	6,117,169	6,352,472	(235,303)
Cash and cash equivalent at the end of the year	17,524,632	6,117,169	11,407,463

The resultant variances were however not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the SIBO Water and Sanitation Company 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**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.280,752,393 and Kshs.194,634,864 respectively, resulting to an under-funding of Kshs.86,117,529 or 31% of the budget. Similarly, the Company expended Kshs.204,253,840 against an approved budget of Kshs.280,462,269, resulting to an under-expenditure of Kshs.76,208,429 or 27 % of the budget.

In the circumstances, the under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Late Submission of Financial Statements**

The financial statements for the year ended 30 June, 2022 were submitted for audit on 24 October, 2022, which was twenty-four (24) days after the due date of 30 September, 2022 contrary to Regulation 208 of the Public Finance Management (County Governments) Regulations, 2015 which states that, pursuant to Section 165(5) of the Act, the accounting officer for county corporation shall prepare and submit annual financial and non-financial statements in the format gazetted by the Cabinet Secretary within three months after the end of the financial year to the Auditor-General with copies to the responsible County Executive Committee member and the County Treasury.

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

### **2. Doubtful Recoverability of Receivables**

The statement of financial position and as disclosed in Note 15(b) to the financial statements reflects an amount of Kshs.114,724,832 for trade and other receivables. Included in the amount is Kshs.83,082,767, or 54% of the trade receivables that is owed by customers whose accounts were either cut-off, dormant or sealed off. Further, analysis of customer statements revealed that the Company had taken no steps to recover these outstanding balances. Management has also not notified the County Executive Committee Member on the difficulties faced in collecting the debts as required by Regulation 63(2) of the Public Finance Management (County Governments) Regulations, 2015. In addition, a trade receivable age analysis report was not provided to confirm how long the trade receivables had remained outstanding.

In the circumstances, the recoverability of trade receivables balance of Kshs.83,082,767 is doubtful.

### **3. Non-compliance with Affirmative Action**

Review of the company's payroll revealed that out of 115 employees, 103 or 90% were from the dominant ethnic community. This is contrary to section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community. In addition, out of 115 employees, the company has eighty-eight (88) or 76% male employees contrary to affirmative action on one third gender rule.

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

### **4. Irregular Board Meetings**

The Board held six (6) full board meetings and eight (8) special board meetings during the year. However, there was no justification why the board failed to consider agendas of the special meetings in its regular board meetings. Additionally, no request was submitted for approval by the responsible County Executive Committee Member for holding the additional special board meetings as required by the Office of the President

Circular OP/CAB.9/1A Part A(3) dated 11 March, 2020, which stipulates that approval for any extra meetings (including special board meetings) above the maximum number specified shall require justification by the Board as to the source of funds and implications thereof, and reasons why the same cannot be adjudicated in regular meetings which request shall be submitted for approval by the County Executive Committee Member for Water, Environment and Natural Resources.

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

## **5. Unremitted Statutory Deductions**

### **5.1 Income Tax**

The statement of financial position and as disclosed in Note 23 to the financial statements reflect trade and other payables amount of Kshs.115,355,843 which includes unremitted income tax of Kshs.560,883 and Kshs.2,224,847 in respect of PAYE deductions and board tax payable (including penalties) respectively owed to Kenya Revenue Authority. However, the Company has not honoured the repayment plan dated 15 September, 2020 which required that an amount of Kshs.639,220 be remitted on a monthly basis until the full tax liability is settled.

### **5.2 National Hospital Insurance Fund Deduction**

Note 23 to the financial statements reflects other payables balance of Kshs.115,355,843 which includes an amount of Kshs.890,525 owed to National Hospital Insurance Fund in respect of deduction unremitted to the Fund. However, the Company did not provide the repayment plan entered into with the NHIF on settling the outstanding statutory obligation.

In the circumstances, Management was in breach of the law and the Company is at risk of incurring additional penalties.

## **6. Loss of Revenue**

Review of records provided for audit revealed that the Company produced a total of 2,731,975 cubic meters of water during the year but only 1,119,606 cubic metres was billed to customers, resulting to Non-Revenue Water (NRW) of 1,612,369 cubic metres or 59%. The allowable NRW rate according to Water Service Regulatory Board (WASREB) guidelines is 25%, and hence excess NRW allowable of 34%, representing 929,162 cubic metres of water which is an estimated loss of revenue of Kshs.27,874,853 at the rate of Kshs.30 per cubic metre.

The significant level of NRW may negatively impact on the Company's profitability and is a risk to the sustainability of its operations.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

#### Lack of Ownership of Motor Vehicles

Included in the property, plant and equipment are motor vehicles valued at Kshs.17,829,338 whose ownership is not in the name of the Company but are registered in the names of their original owners of private companies and other Government agencies.

In the circumstances, the ownership of the motor vehicles valued at Kshs.17,829,338 could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting method and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

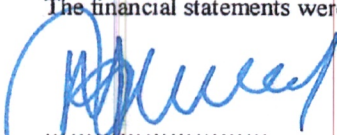
18 May, 2023


**SIBO Water and Sanitation Company limited**  
**Annual Reports and Financial Statements**  
**for the year ended June 30, 2022**


**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2022**

	Note	2021 / 2022	2020 / 2021
		Kshs	Kshs
<b>REVENUES</b>			
Sales / Billing	6	132,757,495	116,483,196
Grants from County Government and other donors	7	28,486,565	8,000,000
Other Income	8	6,376,504	6,871,598
<b>TOTAL REVENUES</b>		<b>167,620,564</b>	<b>131,354,794</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	9(a)	98,399,035	93,212,522
Production and Distribution Costs	10	58,005,596	35,533,574
Depreciation of property, plant and equipment	13a	12,514,950	4,916,292
Amortisation of Intangible Assets	13(b)	-	1,140,000
Decrease /(Increase) in inventories	14(b)	159,326	(143,083)
<b>TOTAL OPERATING EXPENSES</b>		<b>169,078,907</b>	<b>134,659,305</b>
<b>OPERATING PROFIT/(LOSS)</b>	11	<b>(1,458,343)</b>	<b>(3,304,511)</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(1,458,343)</b>	<b>(3,304,511)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>		<b>(437,502.8)</b>	<b>(991,353.3)</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(1,020,840)</b>	<b>(4,295,864)</b>
Earnings per share – basic and diluted		0	0
Dividend per share		0	0

The financial statements were approved by the Board on 27<sup>th</sup> September 2022 and signed on its behalf by :

  
 .....  
 Managing Director  
 Eng. Michael Ogol

  
 .....  
 Head of Finance  
 Okundi Kevin  
 26225

  
 .....  
 Chairperson of the Board  
 William Oungo


**SIBO Water and Sanitation Company limited**  
**Annual Reports and Financial Statements**  
**for the year ended June 30, 2022**


STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022


**STATEMENT OF FINANCIAL POSITION AS OF 30TH JUNE 2022**

		2021 /2022	2020 / 2021
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>	<b>Note</b>		
Property, plant and equipment	13a	101,070,129	62,040,819
Intangible assets	13b	-	-
<b>Total Non-Current Assets</b>		<b>101,070,129</b>	<b>62,040,819</b>
<b>Current Assets</b>			
Inventories	14a	7,368,283	7,527,609
Trade and other receivables	15(a, b and c)	114,724,832	112,785,673
Bank and cash balances	16	18,771,887	17,524,632
<b>Total Current Assets</b>		<b>140,865,002</b>	<b>137,837,914</b>
<b>Total Assets</b>		<b>241,935,131</b>	<b>199,878,733</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	23	100,000	100,000
Capital reserve	32	50,380,370	39,076,199
Retained earnings		11,490,060	(16,249,965)
Proposed dividends		-	-
<b>Capital and Reserves</b>		<b>61,970,430</b>	<b>22,926,234</b>
<b>Non-Current Liabilities</b>			
Borrowings		-	-
Deferred Income Liability	22	44,970,714	29,260,585
<b>Total Non-Current Liabilities</b>		<b>44,970,714</b>	<b>29,260,585</b>
<b>Current Liabilities</b>			
Borrowings		-	-
Trade and other payables	24	115,355,843	132,626,886
Customer deposits	33	19,638,143	15,065,027
Dividends payable		-	-
<b>Total Current Liabilities</b>		<b>134,993,987</b>	<b>147,691,913</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>241,935,131</b>	<b>199,878,732</b>

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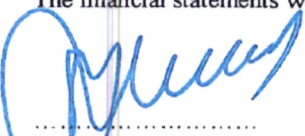
  
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**SIBO Water and Sanitation Company limited**  
**Annual Reports and Financial Statements**  
**for the year ended June 30, 2022**


**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30<sup>TH</sup> JUNE 2022**

STATEMENT OF CHANGES IN EQUITY								
	Ordinary share capital	Capital Reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total	
At July 1, 2020	100,000	19,818,815	-	(10,050,882)	-	35,179,882	45,047,815	
Transfer to capital Reserves	-	19,257,384	-	-	-	-	19,257,384	
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-	
Deferred tax on excess depreciation	-	-	-	-	-	-	-	
Prior Year Adjustment	-	-	-	(1,903,219)	-	-	-	
Fair value adjustment on quoted investments	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	(4,295,864)	-	-	(4,295,864)	
Capital/Development grants received during the year	-	-	-	-	-	27,779,736	27,779,736	
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-	
Dividends paid -	-	-	-	-	-	-	-	
Interim dividends paid -	-	-	-	-	-	-	-	
Proposed final dividends	-	-	-	-	-	-	-	
At June 30, 2021	100,000	39,076,199	-	(16,249,965)	-	62,959,618	85,885,852	
At July 1, 2021	100,000	39,076,199	-	(16,249,965)	-	62,959,618	85,885,852	
Issue of new share capital	-	-	-	-	-	-	-	
Transfer to capital reserves	-	11,304,171	-	-	-	-	-	
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-	
Deferred tax on excess depreciation	-	-	-	-	-	-	-	
Prior Year Adjustment	-	-	-	28,760,865	-	-	-	
Fair value adjustment on quoted investments	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	(1,020,840)	-	-	(1,020,840)	
Capital/Development grants received during the year	-	-	-	-	-	30,725,852	30,725,852	
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-	
Dividends paid -	-	-	-	-	-	-	-	
Interim dividends paid -	-	-	-	-	-	-	-	
Proposed final dividends	-	-	-	-	-	-	-	
At June 30, 2022	100,000	50,380,370	-	11,490,060	-	93,685,470	155,655,900.16	

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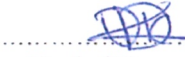
**SIBO Water and Sanitation Company limited**  
**Annual Reports and Financial Statements**  
**for the year ended June 30, 2022**


**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30<sup>TH</sup> JUNE 2022**

	Note	2021 / 2022	2020 / 2021
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	25	(3,421,152)	8,848,656
<b>Net cash generated from/(used in) operating activities</b>		<b>(3,421,152)</b>	<b>8,848,656</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13c	35,394,259	27,723,359
Purchase of intangible assets	13(b)	-	-
<b>Net cash generated from/(used in) investing activities</b>		<b>35,394,259</b>	<b>27,723,359</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital Grants		(30,725,852)	27,779,736
<b>Net cash generated from/(used in) financing activities</b>		<b>(30,725,852)</b>	<b>27,779,736</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,247,255</b>	<b>(235,303)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	25	<b>17,524,632</b>	<b>6,352,472</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>18,771,887</b>	<b>6,117,169</b>

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**SIBO Water and Sanitation Company limited**  
**Annual Reports and Financial Statements**  
**for the year ended June 30, 2022**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Water Sales	155,874,876		155,874,876	114,642,349	41,232,527
Sewerage income	6,622,962		6,622,962	7,593,996	(971,034)
Bowser, Exhauster & excavator Income	3,640,000		3,640,000	4,405,450	(765,450)
Grants from the Government	25,000,000	16,800,000	41,800,000	23,790,291	18,009,709
Other Donor support received	34,000,000	-	34,000,000	31,710,574	2,289,426
Recovery of out standing customer balances	30,000,000		30,000,000		
Finance Income	-			-	-
Other income	8,814,555		8,814,555	12,492,204	(3,677,649)
<b>Total income</b>	<b>263,952,393</b>	<b>16,800,000</b>	<b>280,752,393</b>	<b>194,634,864</b>	<b>86,117,529</b>
<b>Expenses</b>					
Personnel costs	62,050,296	7,660,910	69,711,206	57,178,174	12,533,032
Administration Costs	46,757,988	4,193,150	50,951,138	25,450,029	25,501,109
Technical Costs	60,411,600	(2,400,000)	58,011,600	58,005,596	6,004
Bowser, Exhauster & Excavator Running cost	2,823,800	1,003,500	3,827,300	2,946,044	881,256
Governance Costs	3,725,600	2,166,000	5,891,600	5,859,406	32,194
Compliance levies	19,391,577	2,776,484	22,168,061	6,905,382	15,262,679
Capital Investments	65,607,224	(205,860)	65,401,364	35,394,259	30,007,105
Depreciation of PPE	3,000,000	1,500,000	4,500,000	12,514,950	(8,014,950)
Amortisation charge				-	-
<b>Total expenditure</b>	<b>263,768,085</b>	<b>16,694,184</b>	<b>280,462,269</b>	<b>204,253,840</b>	<b>76,208,429</b>
<b>Surplus for the period</b>	<b>184,308</b>	<b>0</b>	<b>290,124</b>	<b>(9,618,976)</b>	<b>9,909,100</b>

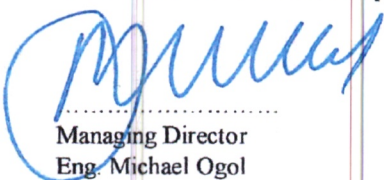
**NOTES**


Water sales did not meet the budgeted target, owing to the prolonged rains experienced within the last financial year, which had a negative impact on the company's billing and collection figures, the high levels of NRW rates prevailing within the company, coupled with our dilapidated and inadequate network systems that is prone to burst, leaks and frequent plants break down.


i. Sewerage income on the other hand, surpassed the budgeted amount by a sum of 971,034 {actual amount realized 7,593,996 while the budgeted figure was 6,622,962}

ii. Bowser, Excavator and Exhauster revenues also did surpass the budget target, by an amount of Kshs.765, 450.

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 26225

  
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 William Oungo

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

SIBO WATER & SANITATION COMPANY LIMITED is established by and derives its authority and accountability from the Company's Act 2015. The Company is wholly owned by the Government of Kenya through the County Government of Siaya and is domiciled in Kenya. The entity's principal activity is provision of water & sanitation services.

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 & 5.

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

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

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

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

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

**d) Depreciation and impairment of property, plant and equipment**

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

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

Buildings and civil works	4%
Plant and machinery	25%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5 %
Water meters and leak detection equipment's	12.5%

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

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

**e) Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortization and impairment of intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

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

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

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

**j) Quoted investments**

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

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

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

**m) Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end, at 25%. Bad debts are written off after all efforts at recovery have been exhausted.

**n) Taxation**

***Current income tax***

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

***Current income tax (Continued)***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

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

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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.

**o) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Borrowings**

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

**q) Trade and other payables**

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

**r) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2018. 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.200 per employee per month.

**s) Provision for staff leave pay**

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

**t) Exchange rate differences**

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

**u) Budget information**

The original budget for FY 2021-2022 was approved by the Board of Directors. With a subsequent revisions, in the form a supplementary budget being done on 25<sup>th</sup> February 2022, where additional appropriations and reductions were made to the approved budget. Any additional appropriations are added to the original budget by the company upon receiving the respective approvals in order to conclude the final budget.

The company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in these financial statements.

**v) 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.

**w) Comparative figures**

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

**x) Subsequent events**

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

**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.

**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.

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The Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

**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 Entity
- 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
- Changes in the market in relation to the asset

**Provisions**

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

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

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6. Sales / Billing

**6.SALES / BILLING**

	2021/2022	2020/2021
	Kshs	Kshs
Water Sales	114,642,349	101,986,688
Bowser, Exhauster & Excavator Sales	4,405,450	3,178,600
meter rent	6,115,700	5,240,200
Sewerage Sales	7,593,996	6,077,708
<b>Total</b>	<b>132,757,495</b>	<b>116,483,196</b>

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**7. Grants Received from the National / County Governments**

**Note:** For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortization equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

**GRANT FROM THE COUNTY GOVERNMENT OF SIAYA AND WSTF**

	2021 - 2022	2020 - 2021
	Kshs	Kshs
Reccurent grants received - KPLC bill payments by CGS and CLSG from WSTF	28,486,565	8,000,000
Capital grants realized (see note below)	27,014,300	11,304,171
In Kind contributions/ donations	-	-
<b>Total</b>	<b>55,500,865</b>	<b>19,304,171</b>

SIBOWASCO	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2020-2021 KShs
County Government of Siaya	8,790,291	15,000,000.00	0	23,790,291	19,304,171
WSTF - CLSG	19,696,274	12,014,300.00	0	31,710,574	0
<b>Total</b>	<b>28,486,565</b>	<b>27,014,300.00</b>	<b>0</b>	<b>55,500,865</b>	<b>19,304,171</b>

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8 OTHER INCOME

	2021 / 2022	2020 / 2021
	Kshs	Kshs
Miscellaneous water income	963,960	299,620
late payment penalty	231,500	24,000
Millage charge	2,265,500	1,286,150
Meter sales	38,009	9,500
Reconnection fees	247,000	260,200
Statement Fees	11,000	17,400
levy	-	-
Change of Tenancy	10,600	7,600
Convenience Fees	29,400	71,198
illegal connection penalties	485,385	1,296,685
Sewer connection	15,000	160,000
Disconnected by request	6,400	
Refuse	-	1,000
Sale of tender documents	-	-
New connection charges	2,072,750	3,438,245
<b>Total</b>	<b>6,376,504</b>	<b>6,871,598</b>

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**9 (a) ADMINISTRATION COSTS**

	<b>2021 / 2022</b>	<b>2020 / 2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Personnel costs (note 9b)	57,178,174	51,912,664
Office running costs ( office rent inclusive)	3,315,071	2,917,269
travel & subsistance	4,066,748	1,686,444
Motor vehicle running costs	4,062,335	6,718,327
Communication costs	864,281	920,956
Monitoring & Evaluation costs	307,015	176,600
PR/ Corporate Affairs costs	447,418	1,219,124
Professional services & fees	11,640,830	10,880,996
Bowser,Excavator & Exhauster running costs	2,946,044	2,075,059
Governance costs	5,859,406	6,416,985.00
Compliance levies / costs ( less warma charges)	6,905,382	4,177,522
Finance costs ( bank charges)	206,278	197,043.00
Provision for bad and doubtful debts	600,053	3,913,533.00
<b>Total</b>	<b>98,399,035</b>	<b>93,212,522</b>

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9 (b) STAFF COSTS

	2021 / 2022	2020 / 2021
Salaries and allowances of permanent employees	43,560,939	44,525,806
Wages of Temporary employees	1,437,400	492,300
Intern Allowance	289,861	
medical insurance schemes	-	-
Employer's Contributions to National Social Security Schemes	271,400	286,000
Employers Contributions to pension scheme	880,539	771,533
Leave pay		-
Gratuity Provisions	9,001,121	5,416,420
Fringe Benefit tax		
Extraneous Allowance	6,475	
Staff welfare	1,730,440	420605
<b>Total</b>	<b>57,178,174</b>	<b>51,912,664</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	6	9
Permanent employees – Unionisable	58	58
Temporary and contract employees	44	44
<b>Total</b>	<b>108</b>	<b>111</b>

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- i. Director's emoluments went up compared to last year due to the high turnover rate of senior managers, experienced by the company which necessitated the high numbers of Board meetings (recruitment of the Managing Director, Finance Manager and Commercial Manager).

The introduction of the Board chairperson monthly honoraria payout

Board training and induction for the new Board which assumed office in MAY 2022.

- ii. Professional services and fees, went up due to the increased legal costs in terms lawyers' fees and court awards payout, additionally the cost of security services went up since more guards were hired to enhance security in all schemes.
- iii. Motor vehicle and motor cycle maintenance and fuel costs went up due to conversion made on the company's exhauster, from the initial hydraulic system to a pulley based system, additionally the company also started hiring out of the excavator to the public, before it was for exclusive use of the company, further pushing on the fuel consumption.
- iv. WASREB Levies went up owing to increased billing figures in the current financial year {2% of billing figures}
- v. Pension and Gratuity went up following board resolution for the company to begin monthly remittance of the 31% of basic pay as gratuity, for all staff on contract.

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	2021 / 2022	2020 / 2021
	Kshs	Kshs
Salaries and wages of production personnel	-	-
Treatment chemicals	12,155,126	4,930,098
Abstraction charges / Warma charges	2,229,919	1,233,071
Electricity	33,151,665	20,819,023
water quality testing	125,620	203,610.00
Plant repair & maintenance	1,859,826	2,551,226.00
Pipeline repair & Maintenance	8,483,440	5,796,546.00
Pipes & fittings Expansion	-	-
<b>Total</b>	<b>58,005,596</b>	<b>35,533,574</b>

**NOTES:**

- i. Electricity costs went up, resulting from the increase in fuel prices and inflationary pressures.
- ii. Chemical costs also went up owing to general price increases resulting from inflationary pressures and the disruption in global supply chains occasioned by the Covid – 19 pandemic
- iii. Stocking pipes and fittings in order to improve response time to bursts and leaks. This is evidenced in the improved inventory levels as seen in the statement of financial position.

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11 OPERATING PROFIT / (LOSS)

	2021 / 2022	2020 / 2021
	Kshs	Kshs
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff costs (note 9b)	57,178,174	51,912,664
Depreciation of property, plant and equipment	12,514,950	4,916,292
Amortisation of intangible assets	-	1,140,000
Provision for bad and doubtful debts	600,053	3,913,533
Directors' emoluments - fees	2,315,070	5,132,200
- other	3,544,336	1,284,785
Auditors' remuneration - current year fees	232,000	232,000
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	-	-
Interest receivable	-	-
Interest payable	-	-
Rent receivable	-	-



## **12 EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

## **13 DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2022 of for every ordinary share is to be proposed.

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13a PROPERTY, PLANT AND EQUIPMENT

2021 / 2022	Freehold land	Buildings & civil works 4%	Plant and machinery 25%	Motor vehicles, including, motor cycles 25%	Computers & related equipment 30%	Office equipment, furniture & fittings 12.5%	Capital work in progress	Water Meters 12.5%	TOTAL
<b>COST OR VALUATION</b>									
At July 1, 2020	-	17,760,817	4,286,240	4,022,113	3,188,880	213,568	15,932,113	7,449,500	52,853,231
Additions	-	20,302,867	2,313,012	472,480.00		0		4,635,000	27,723,359
Transfers	-	-	0	0	0	0		-	-
Disposals	-	-	0	0	0	0	-	-	-
At June 30, 2021	-	38,063,684	6,599,252	4,494,593	3,188,880	213,568	15,932,113	12,084,500	80,576,590
<b>DEPRECIATION</b>									
At July 1, 2020	-	1,420,866	3,068,199	4,086,715	3,086,329	200,870	-	1,756,500	13,619,479
Charge for the year	-	1,522,547	1,649,813	118,120	102,551	12,698	-	1,510,563	4,916,292
Impairment loss	-	-	0	0	0	0	-	-	-
Eliminated on disposal	-	-	0	0	0	0	-	-	-
At June 30, 2021	-	2,943,413	4,718,012	4,204,835	3,188,880	213,568	-	3,267,063	18,535,771
<b>NET BOOK VALUE</b>									
At June 30, 2021	-	35,120,271	1,881,240	289,758	-	-	15,932,113	8,817,438	62,040,819

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2021 / 2022	Freehold land	Buildings & civil works 4%	Plant and machinery 25%	Motor vehicles, including, motor cycles 25%	Computers & related equipment 30%	Office equipment, furniture & fittings 12.5%	Capital work in progress	Water Meters 12.5%	TOTAL
<b>COST OR VALUATION</b>									
At July 1, 2021	-	38,063,684	6,599,252	4,494,593	3,188,880	213,568	15,932,113	12,084,500	80,576,590
Additions	-	10,269,542	968,888	7,393,600.00	717,894	14,000.00	742,183	15,288,153	35,394,259
Revation				16,150,000.00					16,150,000
Transfers	-	-	0	0	0	0		-	-
Disposals	-	-	0	0	0	0	-	-	-
At June 30, 2022	-	48,333,226	7,568,140	28,038,193	3,906,774	227,568	16,674,296	27,372,653	132,120,849
<b>DEPRECIATION</b>									
At July 1, 2021	-	2,943,413	4,718,012	4,204,835	3,188,880	213,568	-	3,267,063	18,535,771
Charge for the year	-	1,905,274	966,956	6,004,020	215,368	1,750	-	3,421,582	12,514,950
Impairment loss	-	-	0	0	0	0	-	-	-
Eliminated on disposal	-	-	0	0	0	0	-	-	-
At June 30, 2022	-	4,848,687	5,684,968	10,208,855	3,404,248	215,318	-	6,688,644	31,050,721
<b>NET BOOK VALUE</b>									
At June 30, 2022	-	43,484,539	1,883,172	17,829,338	502,526	12,250	16,674,296	20,684,009	101,070,129

Our assets are currently undervalued, management plan to engage a government valuer, to value all our assets in an effort aimed at improving our assets register, in the meantime the insured value of the assets as been adopted.

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13. (b) INTANGIBLE ASSETS

	2021 / 2022	2020 / 2021
	Kshs	Kshs
<b>COST</b>		
At July 1	3,420,000	3,420,000
Additions		-
Disposals	-	-
At June 30	3,420,000	3,420,000.00
<b>AMORTISATION</b>		
At July 1	3,420,000	2,280,000
Charge for the year	-	1,140,000
Disposals	-	-
Impairment loss	-	-
At June 30	3,420,000	3,420,000.00
<b>NET BOOK VALUE</b>		
At June 30	-	-

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**14a) INVENTORIES**

	2021 / 2022	2020/ 2021
	Kshs	Kshs
Water treatment Chemicals	958,417	515,624
Meters		
Motor vehicle spare parts (tyres and parts)	861,286	1,376,500
Stationery and general stores	426,360	324,795
Pipes & Fittings	4,948,220	5,136,690
Water Tanks	129,570	129,570
Solar Batteries	44,430	44,430
Electrical Fittings		
Motorbikes Tyres		
	<u>7,368,283</u>	<u>7,527,609</u>

<b>FINANCIAL YEAR</b>		<b>(INCREASE) / DECREASE</b>
<b>2021 - 2022</b>	<b>2020 - 2021</b>	
7,368,283	7,527,609	(159,326)

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15 (a) TRADE AND OTHER RECEIVABLES

	2021 / 2022	2020 / 2021
	Kshs	Kshs
Trade receivables (note 15 (b))	114,507,255	112,707,096
Deposits and prepayments		
VAT recoverable	-	-
Staff receivables (note 15 (c))	217,578	78,577
Other receivables	-	-
		112,785,673
Gross trade and other receivables	-	112,785,673
Other: Provision for bad and doubtful receivable	-	-
Net trade and other receivables	114,724,832	112,785,673

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**15 (b) TRADE RECEIVABLES**

	2021 / 2022	2020 / 2021
	Kshs	Kshs
Siaya Area	50,662,025	49,240,287
Bondo Area	58,222,773	57,777,798
Yala Area	34,582,317	33,975,574
Ugenya Area	9,209,225	9,282,468
Gross trade receivables	152,676,339	150,276,127
Provision for doubtful receivables	(38,169,085)	(37,569,032)
	114,507,255	112,707,096

**15 (c) STAFF RECEIVABLES**

	2021 / 2022	2020 / 2021
		Kshs
Staff receivables	217,578	78,577

staff receivables were made up of staff imprest account at 10,000 and staff salary advance at Kshs 207,577.60

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16 BANK AND CASH BALANCES

	2021 / 2022	2020 / 2021
	Kshs	Kshs
Cash at bank	18,771,616	17,524,360
Office Petty cash ( cash in hand)	271	271
	18,771,887	17,524,631

BANK BALANCES AS AT 30TH JUNE 2022			
BANK	DETAILS	BALANCE (KSHS)	REMARKS
KCB,Siaya - 1108257674	Customer Deposits Account	7,455,540.00	Customer Deposits
KCB,Siaya - 1106893026	Expenditure account	1,643,980.03	Current Account
petty cash	head office petty cash float	271.29	
Post Bank	Revenue Collection Account	19,469	Mainly used for revenue collection
KCB,Siaya - 1108257437	Revenue Collection Account	69,480	Main Account for receiving water billing Revenue
KCB Grant account - WSTF - 1282782533	conditional liquidity support	150	
KCB,Siaya - 1235073211	Bar Kowino -Nyawita water Project	1,737,992	Current Account
Mpesa Paybill - 233491	Mpesa collection	7,845,004	Mpesa collections
<b>Total</b>		<b>18,771,887.03</b>	

**18. ORDINARY SHARE CAPITAL**

	2021 / 2022	2020 / 2021
	Kshs	Kshs
<b>Authorised:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====
<b>Issued and fully paid:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====

**19 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.

**20 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 recognized in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognized in profit or loss.

**21 RETAINED EARNINGS**

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

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22 Deferred income liability

DEFFERED INCOME LIABILITY ACCOUNT			
Date		Amount	Naration
1st July 2021 - bal b/f		29,260,585.00	Being opening balance relating to amounts received from WSTF under the Bar kowino Nyawita water project and county development support for the FY 2020/ 2021
<b>Additions during the year</b>			
- Being grant from WSTF under the CLSG for capital projects		12,014,300.00	
- Being Capital development grant from the CGS in the FY 2021 / 2022		15,000,000.00	
		<b>27,014,300.00</b>	
<b>Tranfers during the year</b>			
- Being transfers to the Capital reverse account		(11,304,171.00)	being conditional grant from the CGS in the FY 2020/2021 transferred to the capital reserve account following completion of the earmarked projects
30th june 2022 bal c/f		<b>44,970,714.00</b>	

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23 TRADE AND OTHER PAYABLES

	2021/ 2022	2020 / 2021
	Kshs	Kshs
Trade payables	29,465,887	50,762,352
Accrued Statutory Levies	65,508,729	61,355,509
Other payables	20,381,227	20,509,025
	<b>115,355,843</b>	<b>132,626,886</b>
NB: Accrued Statutory Levies relate to amounts owed to water sector statutory bodies i.e WARMA, LVSWSB, WASPA, WASREB and OAG		

NB: Accrued statutory levies relate to amounts owed to water sector statutory bodies i.e. WARMA, LVSWWDA, WASPA, WASREB & OAG, while other payables include payroll liabilities e.g. NHIF, NSSF, PAYE, CPF, SACCO , Net Salaries due for the month of June 2021

#### 24 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined benefit scheme for all full-time employees. The scheme is based on 5% of basic salary of an employee at the time of retirement. During the year, no actuarial valuers were engaged to value the scheme. The liability at the end of the year was as follows:

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per

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**25. NOTES TO THE STATEMENT OF CASH FLOWS**

	2021 / 2022	2020 / 2021
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		-
Operating profit/(loss)	(1,458,343)	(3,304,511)
Depreciation	12,514,950	4,916,292
Amortisation	-	1,140,000
Operating profit/(loss) before working capital changes	11,056,607	2,751,781
(Increase)/decrease in inventories	159,326	(143,083)
(Increase)/decrease in trade and other receivables	(1,939,159)	(11,662,159)
Increase/(decrease) in trade and other payables	(17,271,043)	16,243,334
Increase/(decrease) in customer prepayments		
Increase/(decrease) in customer deposits	4,573,116	4,273,967
Cash generated from/(used in) operations	<b>(3,421,152)</b>	<b>11,463,840</b>

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<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	-	-
Cash at bank	18,771,616	17,524,360
Cash in hand	271	271
Balance at end of the year	18,771,887	17,524,631
<b>(b) Analysis of interest paid</b>		
Interest on loans (note 10)	-	-
Interest on bank overdraft (note 10)	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	17,524,360	-
Balance at end of the year (note 36(b))	-	-
Interest paid	-	-
<b>(c) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2016 dividends paid	-	-
2017 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

## 26 RELATED PARTY DISCLOSURES

### (a) Government of Kenya

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

Other related parties include:

- i. The parent Ministry;
- ii. County Government of Siaya;
- iii. Key management;
- iv. Board of Directors;

## 27 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 program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

### (i) Credit risk

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

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

#### **ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's 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.

#### **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 optimizing 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

**c) Interest rate risk**

Interest rate risk is the risk that the entity'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.

*Management of interest rate risk*

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

*Sensitivity analysis*

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

*b) Financial instruments not measured at fair value*

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**iv) Capital Risk Management**

The objective of the entity'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:

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	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	
Retained earnings	11,490,060	-16,249,965
Capital reserve	50,380,370	39,076,199.00
<b>Total funds</b>	<b>61,870,430</b>	<b>22,826,234</b>
Total borrowings	115,355,843	132,626,886
Less: cash and bank balances	(18,771,887.03)	(17,524,632.00)
Net debt/(excess cash and cash equivalents)	158,454,387	137,928,488
<b>Gearing</b>		

**28 INCOPORATION**

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

**29. EVENTS AFTER THE REPORTING PERIOD**

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

**30. CURRENCY**

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

**31. CONTIGENT LIABILITIES**

The Company has three pending legal cases against it by former employees. It is estimated that no material liability will arise hence no provision has been made.

The company has a pending loan amount of 19,904,317.00 USD, at 3% P.A, with a repayment period of 26 years, owed to the AFDB for the developed of the Siaya – Bondo water project. The loan liability will crystalize upon official hand over of the project to the company by the LVSWWDA, who are the assets developers.

The assets are still currently in their name and being recognized in their books.

### 32. CAPITAL RESERVES

These relates to transfers from the deferred income liability A/C, upon successful completion and handing over of the asset developed by the deferred income grant (conditional grants).

In the financial year 2021 / 2022 there was an addition of 19,257,383.76 to the capital reserves due to transfer of deferred Income liability to capital after a successful completion and handing over of the asset developed by the deferred income grant (Chalice works under the co funded Aduoyo Kokise water project).

Items	Kshs.
Opening balance	<u>39,076,198.78</u>
<b>Additions</b>	
Supply and delivery of smart enabled cold water consumer meter	11,304,171
<b>Total / balance C/F</b>	<b><u>50,380,369.78</u></b>

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**33. Customer Deposits**

These are funds held as security for issuance of cold water meters to customers, as such they are refundable to the customers upon cessation of being a customer to the company.

The funds are recognized under non-current liabilities in the company's books.

	<b>2021 / 2022</b>	<b>2020 / 2021</b>
Opening balance	15,065,027.20	10,750,843.20
Deposits received during the year	4,573,115.80	4,314,184.00
Balance C/F	<u>19,638,143.00</u>	<u>15,065,027.20</u>

**34. RETAINED EARNINGS**

These are net profit / losses retained within the company (not declared out as dividends) to fund development of capital assets

	<u>2020 /2021</u>	<u>2020 / 2021</u>
Revenue Reserve b/f	(16,249,965)	(10,050,882)
Profit / (loss) for the year	(1,020,840)	(4,295,864)
Prior year adjustments	28,760,865	(1,903,219)
Total balance at end of year	11,490,060	(16,249,965)

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe:
1.0	Unsupported Bank and Cash Balances due to lack of cashbook and bank reconciliations	This was due to frequent staff unrests during the FY therefore no proper accounting records kept. This has since been resolved and reconciliations are done promptly as the department is now fully staffed and well equipped.	Okundi Kevin Head of Finance	Resolved	N/A
2.0	Customer deposits reflected as a current liability	The company has made plans to return funds borrowed from customer deposits over time. With management making an undertaking to be refunding an amount of 100,000 every month, with the intention of adjusting the amount upwards has the company fortunes improves over time. However it should be noted that part of the customers deposit relates to deposits paid by customers over the period that the company was under the management of national water, which amounts where not transferred when the company was registered to take	Eng. Michael Ogol Managing Director.  Okundi Kevin Head of Finance	Not resolved	Progressive

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		over operations from the national water to the company by customers			
3.0	Unsupported provision of doubtful debts	The company has developed a credit policy that has now been approved by the Board of Directors.	Okundi Kevin Head of Finance	Resolved	December 2020
4.0	Late Submission of Financial Statements	This was due to the high staff turnover experienced then, this has since been resolved and the company is now meeting the set datelines.	Okundi Kevin Head of Finance	Resolved	Sept 2019
5.0	Threatened Going Concern due to Negative working Capital	Management together with the Board are working on a turnaround strategy to improve the company financial status	Board of Directors Head of Procurement	Not Resolved	Progressive
6.0	Budget Variations	The management has since analyzed the budget variations identified and has since put in measures aimed at ensuring that the budget variations are minimized.	Okundi Kevin Head of Finance	Not Resolved	Progressive
7.0	Irregular employment	The management has endeavored to ensure that recruitment procedures as laid down in the human resource policies and procedure manual are followed.	Loice Omoga Human Resource Manager	Not Resolved	Progressive

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Reference No. on the external audit	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and Designation)	Status: (Resolved / Not Resolved)	Timeframe: (Date when the issue is expected to be resolved)
8.0	Failure to meet a third rule in staff composition	The management has endeavored to recruitment from other ethnicities to align in third rule staff composition	Eng. Michael Ogol Managing Director.	Resolved	Progressive
9.0	Irregular Procurement of security services	The company has since ensured that all its supplies for goods and services are procured competitively through open tenders, and in strict conformance to the law	Isaiah Were Procurement Officer	Resolved	December 2019
10.0	Irregular Procurement of fuel	The company has since ensured that all its suppliers for goods and services are procured competitively through open tenders. Fuel register has since been developed by the transport department to	Isaiah Were Procurement Officer	Resolved	Dec 2019

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		monitor the fuel usage			
11.0	Irregular Procurement of a water Pump	The company has since ensured that all its supplies for goods and services are procured competitively through an open competitive process, to ensure the company gets value for money in all its procurement activities All planned procurement processes are now captured in the annual procurement plans, which are approved by the Board	Isaiah Were Procurement Officer	Resolved	Dec 2019
12.0	Lack of Approved Policy Documents	The management has now developed policy documents now in draft form awaiting discussion and approval by the Board of Directors	Eng. Michael Ogol Managing Director.	Not Resolved	September 2021

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		With a number of the policies already			
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Managing Director: Sign:

Date: 27/9/2022



Board Chairperson: Sign:

Date: .....

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by the Company Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
2. Barkowino-Nyawita Water Project	07W/LVSWB/SIAYA/SIBO/50	WSTF	12 Months	17,956,414	NO	YES

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of
1	Barkowino-Nyawita Water Project	17,956,414	15,932,113	95%	17,956,113	15,932,113	WSTF

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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Transfers from Siaya County Government & WSTF				
<b>a. Recurrent Grants</b>				
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	1.Electricity Bills Payment by Siaya County Government	Amounts paid directly to KPLC by County Government	7,950,000	2020/2021
		<b>Total</b>	<b>7,950,000</b>	
<b>b. Development Grants</b>				
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	County Government of Siaya	17/06/2021	11,304,171	2020/2021
		<b>Total</b>	<b>11,304,171</b>	

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CREDITORS SCHEDULE

	<b>30 Jun 22</b>
<b>Accurate Farm Machinery Enterprises</b>	33,698.00
<b>Africa Merchant Assurance Co Ltd</b>	56,316.50
<b>Africa Water Watch Limited</b>	1,059,585.36
<b>Alecky Agencies</b>	685,000.00
<b>Alfroze Hotel</b>	34,250.00
<b>Area Co-ordinators</b>	3,500.00
<b>Auto Park and General-Shell Siaya</b>	8,678.84
<b>Betco Engineering</b>	192,027.00
<b>Blue Media Images Limited</b>	600.00
<b>Bondo Pride Hotel</b>	45,000.00
<b>Casual Labour wages</b>	197,140.00
<b>Coastal Industrial &amp; Safety Supplies Ltd</b>	33,401.40
<b>Collection Africa Limited</b>	724,542.84
<b>Cool Base Enterprises &amp; Hardware</b>	62,450.00
<b>Copy Print Enterprises Ltd</b>	54,000.00
<b>Corporate Insurance Co. Ltd</b>	5,064.00
<b>Customer Cares</b>	3,000.00
<b>Danco Capital Limited</b>	116,342.65
<b>Distinction Gardens</b>	29,525.00
<b>Donmacks Enterprises</b>	3,030.00
<b>Earnest Omondi</b>	33,000.00
<b>Evanton Company Ltd</b>	98,557.00
<b>Federation of Kenya Employers</b>	39,850.00
<b>Felora Limited</b>	79,000.00
<b>Framoc Agencies Ltd</b>	142,275.20
<b>Ganatra Plant and Equipment Ltd</b>	42,153.24
<b>Gateamour Security</b>	187,340.00
<b>Globe IT Systems</b>	80,000.00
<b>Heritage Insurance Company</b>	84,528.00

Holywing Investments	202,735.00
<b>INTER SECURITY SERVICES LIMITED</b>	<b>1,016,343.46</b>
Irene A. Otieno	4,200.00
Isaiah O. Were	4,000.00
Janos Company Ltd	7,900.00
Jey Dee Printers & General Supplies	198,800.00
Jubex Enterprises	643,626.00
Kaduol Enterprises	20,372.00
Kags Trading Co. ltd	79,362.40
Kakwacha Hotel	1,785.00
Kassam Sales Ltd	204,041.29
Kel Chemicals Ltd	2,353,626.88
Kenya Alliance Insurance Company Ltd	852,685.00
Kenya National Audit Office(KENAO)	2,920,000.00
Kenya Orient Insurance Ltd	75,418.00
Kenya Power	8,686,779.03
Kevron Africa Limited	0.30
Kinetics Engineering Ltd	388,750.00
Kisumu Modern Electricals	90,500.00
Kylin Motors	532,940.00
Lake Victoria South Water Sevices Board	35,083,930.00
Laser Insurance Brokers	460,351.50
Lisber Enterprises Company Limited	14,237.50
Lorema Investments	30,960.00
Market Scan (K) Limited	10,000.00
Metropolitan Cannon General Insurance ltd	465,911.00
Moharry Supplies and Construction Co. Ltd	201,500.00
Mugoye & Associates	246,400.00
Mwananchi General Hardware	29,800.00
Naftali O Kitiwa	4,200.00
Naja Company Ltd	319,438.00
Nation Media Group	308,380.00
Negev Limited	1,695,000.00
Norgen Enterprises	1,023,150.70

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Nyang'oma Catholic Mission	32,000.00
Odhiambo BFO and CO Advocates	106,000.00
Oundo Muriuki Advocates	359,304.00
Pan Africa Chemicals	1,058,850.00
Postal Corporation of Kenya	18,900.00
Pride Kings Services	100,000.00
Rachuonyo Electronic Works	276,840.00
Reuben Okumu Yada	162,600.00
Royal City Hotel	62,100.00
Safaricom Ltd	-10.39
Sahajanand Spares Comer Ltd	472,400.00
Samco Traders	186,611.68
San Electricals ltd	8,000.00
Shalom Hotel ltd	2,200.00
Siaya County Club	9,200.00
Siaya Institute of Technology-Villa Hotel	192,150.00
SIBOWASCO	771,126.00
Silvercrest Technologies	87,000.00
Silverfox Bricol Limited	201,500.00
Sintora Contractors	49,500.00
Smart People Africa	1,051,500.00
Standard Group PLC	82,290.00
Surox Two Agencies Ltd	95,022.00
utopia Enterprises	9,000.00
VILLAGIO TOUR AND TRAVEL	148,000.00
Vyfrand Enterprises	27,500.00
Walter Onyango Omollo	353,400.00
Water Companies Sports Organization	235,000.00
Water Resources Management Authority-Siay	6,675,514.52
Water Resources Management Authority-Sout	532,518.95
Water Service Providers Association-WASPA	324,800.00
Water Services Regulatory Board(WASREB)	19,736,966.02
Wilson Omondi	419,400.00
Wisn Bureau Services	896.00
<b>TOTAL</b>	<b>96,159,056.87</b>

Trade Payables

29,465,887.38

Accrued / statutory

65,508,729.49

other payables

249,040.00

935,400.00 court award

16,971,939.80 payroll liabilities

2,224,846.71 board tax payable

20,381,226.51

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