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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**GUSII WATER AND SANITATION  
COMPANY LIMITED**

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



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**GUSII WATER AND SANITATION COMPANY LTD**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2021**

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

**Gusii Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

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**I. KEY ENTITY INFORMATION**

**Background information**

Gusii Water and Sanitation Company Ltd (GWASCO) was established on 12 June 2006 following the water sector reforms under the Water Act 2002 to provide water and sewerage services through SPA with LVSWSB, now Lake Victoria South Water Works Development Agency (LVSWWDA). The Company is now wholly owned by the County Governments of Kisii and Nyamira by 68% and 32% shares respectively under the new Water Act 2016. Water and sewerage service is now a fully devolved function implying the Company provides water and sewerage services on behalf of the two County Governments Under new Water Act 2016. The company runs nine water supplies, namely; Kisii, Nyamira, Ogembo, Keroka, Gesusu, Nyansiongo, Tabaka, Ikonge and Birongo/Keumbu.

**Principal Activities**

The principal activities of the Company are:

- a) To carry on the business of a Water Services Provider, as defined by the Water Act 2016
- b) To manage and conserve the sources and supply of water in the area of the county governments and in particular, to conserve, redistribute and augment those water resources as consented to by the licensee.
- c) To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes within the area of the county governments.
- d) To be responsible for the provision, control and maintenance of sewerage and drainage for commercial, industrial and domestic purposes within the area of the county governments.
- e) To maintain and rehabilitate existing water and sewerage infrastructure and facilities, as well as develop infrastructure or facilities for furthering the objects of the company.

**GWASCO Vision**

To be the premier company in the provision of potable water and sewerage services in Kenya

**GWASCO Mission**

To provide safe water and sewerage services efficiently and effectively to sustainably meet expectations of the customers and other stakeholders.

**GWASCO Core Values**

The core values are the fundamental principles that guide the behaviour of every person or entity working with GWASCO. They should be practiced and embraced to create the organizational culture to drive GWASCO's vision.

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**The core values guiding GWASCO are:**

1. Customer focus
2. Integrity
3. Gender Responsive
4. Professionalism
5. Team work
6. Innovation

**Directors**

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

1. Col. (Rtd) Charles N. Moturi - Chairman - Joined the Board on July 2021 and Appointed on August 2021
2. Fredrick Nyamweya - Chairman - Ceased to be Chairman on May 2021
3. Osborn Nanga - Was MD until 23<sup>rd</sup> March 2021
4. Masiga Elvis - Was Ag. MD from 23<sup>rd</sup> March 2021 to 6<sup>th</sup> October 2021
5. Albert O. Onyari - Acting Managing Director
6. Joseph Tirimba Onserio - Director - Appointed on 5th September 2018
7. Justus Nyamweya Omari - Director - Appointed on 5th September 2018
8. John Billy Momanyi - Director - Appointed on 1st February 2020
9. Mongeri Mirieri - Director - Appointed on 5th September 2018
10. Samwel Maiko - Director - Appointed on 5th September 2018
11. Jackline Mirieri - Director - Appointed on 5th September 2018
12. Moses Onderi - Director - CECM (Finance) - Kisii County
13. Fanice Mose - Alternate to CECM (Finance) - Nyamira County
14. CPA Emily Ongaga - Director - CECM (Finance) - Nyamira County

**Corporate Secretary**

Edward Begi

**Registered Office**

Gusii Water & Sanitation Co. Ltd.  
P.O. Box 3880 - 40200  
KISII, KENYA  
Bobaracho Main Office  
Kisii-Keroka Highway

**Corporate Headquarters**

Gusii Water & Sanitation Co. Ltd.  
P.O. Box 3880 - 40200  
Kisii, Kenya

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**Corporate Contacts**

Telephone: (+254) 0208029088/058-31345

Email: info@gwasco.co.ke

Website: www.gwasco.co.ke

**Corporate Bankers**

Kenya Commercial Bank Ltd

**Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100



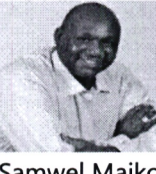
Nairobi, Kenya

**Principal Legal Advisers**



- 1) The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
- 2) Reuben Masese & Company Advocates

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**II. THE BOARD OF DIRECTORS**

Ref	Directors	Details
1	 <p><b>Col.(Rtd) Charles N. Moturi</b></p>	<p>Charles N. Moturi was appointed the Chairman of the Board on 16<sup>th</sup> August 2021. Charles is a Retired Colonel of the Kenya Defence Forces. He Joined the Board on July 2021</p>
2	 <p><b>John Billy Momanyi</b> He holds a Masters Degree in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Bachelors Degree in Commerce (Finance) from JKUAT and a Diploma in Agriculture and Farm Management from Egerton College.</p>	<p>Mr John Billy Momanyi is the CEC for Water, Energy, Environment and Natural Resources for Kisii County. He previously served as the CEC for Lands, Housing, Physical Planning and Urban Development and CEC for Finance and Economic Planning. He is a career banker having worked at Kenya Commercial Bank (KCB) for over 30 years. Until his appointment, he served as Senior Manager in charge of KCB Kisii Branch. He also served as Senior Internal Auditor at KCB among other positions at the bank. He represented Kisii County Government in the Board of Directors.</p>
3	 <p><b>Samwel Maiko</b></p>	<p>Samwel Maiko is the <u>ECM, Environment, Energy, Mining &amp; Natural Resources</u>, at Nyamira County Government. He represents Nyamira County Government in the Board of Directors.</p>

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<p>4</p>	 <p>Mr. Joseph Tirimba Onserio Qualification: He holds diploma in administration and management from Co-operative College of Kenya.</p>	<p>Age 67 Years, Mr. Joseph Tirimba Onserio Joined the Board of the Company on 5<sup>th</sup> February 2014. He has a wide experience in financial management at Government and Local Governments having worked in the Institute of Public and Private Partnerships, Washington USA. Representation: He represents manufacturing community in the Board of Directors.</p>
<p>5</p>	 <p>Justus Nyabwengi Omari He holds MSC Engineering and Management from JKUAT and BSC Agricultural Engineering from JKUAT, Certificate in Agricultural Engineering from Eldoret Institute of Agriculture and certificate in engineering from Israel.</p>	<p>Name: Justus Nyabwengi Omari Age: 60 Years Qualification: He holds MSC Engineering and Management from JKUAT and BSC Agricultural Engineering from JKUAT, Certificate in Agricultural Engineering from Eldoret Institute of Agriculture and certificate in engineering from Israel. He worked with Ministry of Agriculture as Agriculture engineer. Representation: Professionals</p>

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6	 <p>Jackline Mireri She hold Bachelor of Public Administration from Bugema University and Diploma in Public Administration from Kenya Institute of Management</p>	<p>Aged 47, Jackline brings a wealth of experience having worked in the media industry for many years and currently is working with Standard Media Group as regional Business Manager (Nyanza). she represents Youth and Women</p>
7	 <p>Mr Moses O. Onderi He holds a Masters Degree in Education (Education Technology) from Maharaja Sayajirao University of Baroda (India), a Higher Diploma in Human Resources Management from the Institute of Personnel Management and a Bachelors Degree in Education from the Karnatak University, Dharwad (1991). Higher Diploma in Human Resources Management, Institute of Personnel Management (2002) and a Bachelors degree in Education from the Karnatak University, (Dharwad, India).</p>	<p>He is the CEC for Finance and Economic Planning, Kisii County. He previously worked as the CEC in charge of the Department of Lands, Housing Planning and Urban Development. Prior to that, he worked as Training/Programme Officer at the African Network for Prevention and Protection Against Child Abuse and Neglect (ANPPCAN). He also worked as lecturer at the Kenya School of Government, formerly Kenya Institute of Administration (KIA).</p>
8	 <p>CPA Emily Ongaga</p>	<p>CEC Finance, ICT and Economic Planning, Nyamira County.</p>

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**III. MANAGEMENT TEAM**

Ref	Management	Details
1	 Albert Oisebe Onyari Ag. Managing Director BED (Arts),MBA (Finance) CPA II	Directing, Planning, implementation, monitoring and evaluation.
2	 Gerald Ogero Gisairo Technical Manager BSC Civil Engineering, Graduate Eng.	Manage, control and maintain water and sewerage systems for constant supply of potable water.
3	 Alex Nyakundi Procurement Manager BSC. Purchasing &Supplies Management, Dip. Supply Chain Management, MKISM	Supply chain management and storage of materials and equipment
4	 Naom Manyara Ag. Human Resource Manager BA (Social Sciences)	Manage personnel, Formulate, Enforce and regularly update human resource policies

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5	 Lucy Wachira Commercial Manager MBA (Strategic Management), BBA, Dip in BA	Manage commercial division, customer services, billing and collection systems and Monitor the debts and prepayments
6	 Dalton M. Ogero Internal auditor BSC with IT, CPA	Ensuring integrity of internal control systems and risk management.
7	 Thaddeus Mogesi Mogoi Financial Accountant BBM, MBA, CPA (K), MKIM	Implement, maintain, manage and enhance financial and accounting systems.
8	 Collins Ong'era ICT Manager Bachelor of Business Information Technology	Enhancement of ICT infrastructure and information processing and management information systems.

#### **IV. CHAIRMAN'S STATEMENT**

##### **1. The Strategy**

The company has an existing 5 years strategic plan developed covering the period 2017-2022. To arrest implementation challenge, the management has signed the performance contract in an effort to monitor and improve operational efficiency. The following are the highlights of the strategic plan.

##### **2. Governance**

The Board of Directors seek to adhere to and comply with the principles of good corporate governance in Kenya as well as guidelines published and issued by Water Services Regulatory Board.

My Board upholds personal and corporate integrity as well as a culture that values high ethical standards. The Board continues to maintain strategic objectives, key policies and approval of annual budget. It promotes accountability through monitoring of implementation of policies and strategies in a structured system of the following Board Committees.

- a) Finance, HR & Procurement Committee
- b) Technical Committee
- c) Audit Committee

##### **3. Expansion programmes**

Meeting customer water demand and managing Non Revenue Water remain a huge challenge. The company has a production capacity of 6,000m<sup>3</sup>/day of water per day which comprise of the treatment works of New Kisii, Keroka, Nyamira, Ogembo, Tabaka, Ikonge, Keumbu, Nyansiongo and Gesusu. The estimated demand in our area of jurisdiction is 30,000m<sup>3</sup>/day.

To meet the growing demand as well as grow our market share, the company has undertaken an integrated approach that encompasses improvement of production capacity, expansion and rehabilitation of the network to manage non-revenue water and enhancement of operational efficiency.

In this regard, through Lake Victoria South Water works Development Agency Kisii water supply and Nyamira water supply are set to inject an additional 21,000m<sup>3</sup>/day and 1,200m<sup>3</sup>/day respectively following the completion of expansion works.

##### **Future Outlook**

Our new constitution places the water and sanitation services under the county government and also declares access to clean water a human right. We continue to adhere to the Water Act 2016 to deliver on our mandate. Kisii and Nyamira towns under Kisii and Nyamira

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Counties respectively have witnessed increased economic activities and therefore demand for water and sanitation services has more than tripled.

The Company Board under whose chairmanship I hold is formulating a comprehensive blueprint to spearhead the provision and improvement of the Water and Sanitation Services Provision to meet the water demand of Kisii and Nyamira Counties.

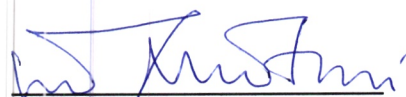
It is my humble believe and believe that with continued support from the Government of Kenya, County Governments of Kisii and Nyamira, Lake Victoria South Water Works Development Agency, business development partners and unwavering commitment of our staff, the company will resiliently overcome operational and economic challenges in the Company and sustainably achieve its stated mandate.

**Appreciation**

I wish to take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved. I also take this opportunity to sincerely thank our Ministry of Environment, Water & Natural Resources both at the National Government and the two Counties for their invaluable support, Water Services Regulatory Board, other water sector institutions, our development partners and the stakeholders for the continued support of all our activities.

The Directors remain committed to provide the necessary leadership to facilitate continued improvement of the Company's operations. I remain confident that we have the skills, abilities and resources necessary to manage the significant opportunities and challenges that lie ahead of us.

**Sign:**



Col. (Rtd) Charles N. Moturi  
Chairman  
04 May 2022

## **V. REPORT OF THE MANAGING DIRECTOR**

I am delighted to present my report on the performance of the Company for the financial year 2020/2021

### **1 Financial Performance**

#### **a) Turnover**

The Company recorded sales for the year 2020/2021 amounting to Kshs. 153,408,563 against Kshs. 129,112,400 for the year 2019/2020 representing 15% increase. The increase in sales turnover was purely as result of internal growth within the service provision area. Water charges remained consistent in the year under the current tariff regime which expired in 30 June 2021. The management is in the process of embarking into Regular Tariff Application to adjust its pricing on water and sanitation services for the tariff period 2021-2024. The tariff regime will enable the company break-even and attain sustainability in its operation and maintenance costs.

#### **b) Expenses**

The total expenses for the year under review were Kshs. 206,760,662 against Kshs. 177,178,200 in the financial year 2019/2020. This represents an increase in costs by 16%.

#### **c) Profit for the year**

The Company registered a marginal surplus of Kshs. 8,812,446 against a loss of Kshs. (21,725,800) the previous year. This compares unfavorably and the trend poses a threat on sustainability thus affecting going concern. This extremely disappointing trend was compounded by difficult trading conditions suffered by the Company amid COVID-19 pandemic, increased level of Non-Revenue Water in the distribution system that affected demand management. To meet viability of the Company and its ability to continue as a going concern, the management has embarked on the following:

- i. Continued focus on monthly efficient invoice collections, sustained efforts in recovery of debtors; and
- ii. Continued focus on cost management, containment and optimization of resources allocated to company business facilities.

#### **d) Capital investment**

During the period under review the company has maintained a sound rapport with our external financiers and partners and the following was achieved:-

- Completion of New Kisii Treatment Works and Rehabilitation of Water System in Kisii and Nyamira Towns funded by Kfw through Lake Victoria South Water Works Development Agency at a cost of KShs. 2 Billion. This is awaiting commissioning.

### **1. Human resource**

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The company's human resource has continued to be a valuable asset in achieving business objectives, targets, customer satisfaction and stakeholder expectations. Consequently, the company's work ethics are founded on team-work.

In order to enhance staff productivity, the company has embraced a performance management system as a basis for rewarding and identifying areas of improvement. To this end, the managers signed a performance contract the result of which shall be the basis of future improvements.

**2. Information Communication Technology (ICT)**

The company recognizes that ICT is the nerve centre of the company's business. It is a vital component for the establishment and support of all existing and new business and customer service initiatives, as well as company's operations.

In its endeavour to enhance customer service management, the company engaged Earthview Management Co. Ltd to upgrade majisoft billing software. It fully embraced the use of M-Pesa services for bills payment as part of improved customer service. In managing its debts, the company developed a draft debt management policy awaiting board approval.

**3. Climate Change and operational resiliency**

Following the end of the financial year 2020/2021, strategies aimed at securing adequate water supply, expanding water access to the residents, improving the quality of supply and service to our customers, as well as the financial performance took the centre stage of our operations. The Company's performance has remained steady despite the many challenges facing it. This include but not limited to: teething problems during the implementation of the new tariff, challenges with the billing software, dwindling sources due to drought like Gesabei dam for Nyansiongo water supply, Nyamira water supply, Nyakomisaro water supply and Eucalyptus trees along the water sources as well as dry river chirichiro who provides raw water source to Birongo water project. In the face of these challenges, the company has continued to streamline its revenue growth and service delivery.

To deliver our priorities and a strong customer proposition, everyone in the business needs to be engaged with our vision and values and the needs of our customers. This is why I've been bringing managers in the company together to talk about what our values mean to them, what our customers expect and what our strategy needs to deliver. As Gusii Water family, we are committed to driving changes that will really deliver for our customers.

I fully recognize that the privileges of running a water company come with important responsibilities, and I understand the significant impact on our customers and the environment when we fall short of the standards our customers rightly expect of us. During the last year we've seen a series of major bursts on some of our distribution water pipes in urban, peri-urban and rural areas where our systems serve and we've missed our leakage control target. Leaks are inevitable on a network of our enormous size and age which stem way back to 1976, but it's vital we invest wisely and continually to improve our resilience.

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We are in a hugely privileged institution with life-long investment from our customers through their bills, and everything we do impacts them, their children, their grandchildren and beyond. We're Custodians of their money so we need to be smart and disciplined about how we spend it. Our customers also play an active part in operating our water and waste-water networks, every time they turn on a tap, use a washing machine or flush the toilet. So the way we engage with them and explain our business is a continuing priority.

**4. Health and the Environment**

The company has continued to expand its services to the un-served areas where raw water has been used for domestic use. By providing potable, clean, safe and affordable water to such areas, the company is playing a major role in improving the health of the residents under its jurisdiction.

The company has also invested in maintenance of Suneka sewerage ponds and conducting environmental audits through National Environment Management Authority to achieve a clean and safe environment. To this end, continuous laboratory tests and analysis of both treated water and water discharged from our sewerage treatment works ensures that we comply with the stringent regulatory standards and legislation.

**5. Customer service and social responsibility**

Satisfying our customers and creating stakeholder value remain our cherished goals. As we look into the future, our resolve is to remain focused to achieve these goals through securing adequate water supply, distribution capacity, reducing Non-Revenue Water and expansion of our customer base.

We are also expanding our social responsibility by providing our services to the low income areas through construction of water kiosks where water is affordable to all residents of those areas.

**Conclusion**

We acknowledge that our company plays a major role in the socio-economic development of our two counties and the country at large. We shall therefore continue to actively pursue strategies aimed at increasing access to safe water, improving the quality of supply, services to our customers and securing our sustainability. With the commitment of our staff, the guidance of the board, support of the stakeholders and the Government, we are confident that we shall continue to satisfy our customers' expectations.

**Sign:**



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Albert Oisebe Onyari  
Ag. Managing Director  
04 May 2022

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

The Company has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the Financial year 2020/2021. These strategic pillars/ themes/ issues are as follows:

1. Pillar /theme/issue : Financial perspective
2. Pillar/theme/issue : Customer Perspective
3. Pillar/theme/issue : Internal (process) perspective
4. Pillar/theme/issue : Learning and growth perspective

The Company develops its annual work plans based on the above 4 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2020/2021 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

<b>Vision:</b>	<b>To be the premier company in the provision of potable water and sanitation services in Kenya</b>			
<b>Mission:</b>	<b>To provide safe water and sanitation services efficiently and effectively to sustainably meet expectations of the customers and other stakeholders.</b>			
<b>Strategic Priorities</b>	Increase Access to Water and Sanitation			
<b>Financial perspective</b>	<b>Strategic Objective</b>	<b>Measures</b>	<b>2020</b>	<b>2021</b>
	Increase the coverage and access to clean and safe drinking water and sanitation services	% increase in water access	45%	65%
		Increased number of active connections	9,500	11,600
		% increase in sewerage access	13%	16%
Improve financial sustainability to cover all	Increase in Billing and revenue	10M	17M	

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	operational costs and attain 100% O&M cost recovery	% increase in collection efficiency	82%	90%
		Increase O&M cost coverage	75%	85%
		% reduction in NRW	57	53
		Reduction in dormant accounts	3,750	2,900
<b>Customer Perspective</b>	Identify and implement appropriate communication and branding for the company	Identify and implement appropriate communication and branding for the company	All main offices (Kisii and Nyamira) branded GWASCO with branded boards erected	All other regional offices branded GWASCO with branded boards erected
		Develop and update company website & social media platforms for consumer interaction	Updated Website in line with Strategic Plan	Developed social media platforms
		Promotion and participation in CSR activities	1 CSR conducted	2 CSR conducted
	Improved Customer Relations	Develop and implement customer service	Procurement of the CRM	Implementation of the

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		management systems		CRM
		Develop and implement a customer service charter	development and approval of the customer service charter	
	Provide quality water and sanitation services that meet and surpass our customers and other stakeholders' expectations.	Increase in Hours of supply (hrs)	15	17
		No. of customer satisfaction surveys	1	1
		Drinking water quality - Compliance with residual chlorine	93%	95%
		Improve on consumer complaint and resolutions	70%	85%
<b>Internal (process) perspective</b>	Fortify and internalize Organizational capacity and processes	Automate and integrate ICT in all business processes like Management Information System (MIS), Geographical Information System (GIS), Monitoring and Evaluation Framework	Procurement of the MIS and update of the GIS system	linking of GIS with MIS
		Number of policies to be developed	2	2
		Regulatory compliance	80%	90%

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		Disaster and Risk Management plan (DRM)	Disaster and Risk Management plan (DRM) developed	
		Governance ranking	45%	55%
<b>Learning and growth (People) perspective</b>	Develop and enhance knowledge management, effective communication and employee satisfaction.	Capacity build and develop employee skills	TNA report and training plan developed	
			TOT program developed	
			1 Bench marking visit	1 Bench marking visit
		Enhance the management of Employee performance	Developed and approved PM policy	
			Performance evaluation conducted for Utility management	
Foster Innovation & Increase Employee satisfaction	Institutionalization of the research and engineering unit and conducting customer satisfaction survey			

## **VII. CORPORATE GOVERNANCE STATEMENT**

Transparency and accountability are the two basic tenets of Corporate Governance. Gusii Water and Sanitation Company Ltd envisions laying the foundation stone for good governance. Responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles, which are reinforced at all levels within the Company. We are committed to doing things the right way which means taking business decisions and acting in a way that is ethical and is in compliance with applicable legislation. Our Code of Business Principles is an extension of our values and reflects our continued commitment to ethical business practices across our operations. We acknowledge our individual and collective responsibilities to manage our business activities with integrity. Our Code of Business Principles inspires us to set standards which not only meet applicable legislation but go beyond in many areas of our functioning.

The Board of Directors is responsible for and committed to sound principles of Corporate Governance in the Company. The Board plays a crucial role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders. This belief is reflected in our governance practices, under which we strive to maintain an effective, informed and independent Board.

### **The Board of Directors**

The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company. The Company and has been vested with requisite powers, authorities and duties to sustainably achieve its core mandate of Water Service Provision. The Management Committee of the Company is headed by the Managing Director and has business / functional heads as its members, which look after the management of the day-to-day affairs of the Company.

### **Composition**

The Board of our Company has a good mix of Executive and Non-Executive Directors with half of the Board of the Company comprising of Independent Directors. As on date of this Report, the Board consists of ten Directors comprising one Non-Executive Chairman, Eight Independent Directors and One Executive Director who is the Managing Director. The Board is constituted taking into account Articles and Memorandum of Association, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help Gusii Water and Sanitation Company achieve its goals and objectives.

The composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the business. The positions of the Chairman of the Board and the Managing Director of the Company are held by separate individuals, where the Chairman of the Board

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is a Non-Executive Director. None of the Directors of our Company are inter-related to each other.

**Evaluation**

During the year under review, the Board did not conduct a self-evaluation exercise to gauge its performance. The evaluation could have assessed the effectiveness of the Company leadership giving members an opportunity to reflect on their responsibilities.

**Work plan and meetings**

Dates of Board meetings in the ensuing year are decided in advance and scheduled in a work plan. The Board meets once a quarter or more when necessary to transact Company business.

**Board Meetings**

The following analysis gives a general analysis on the Board of Directors attendance.

**Board Succession Policy**

The Company avoids a situation where all Board members retire at the same time. In order to avoid this situation, two thirds of the Board members other than those from the County Governments, retire from office by rotation every three years. The retiring members are determined on the basis of those who have served longest.

**Board Charter**

There was no existing board charter during the year under review.

**Functions of The Board of Directors**

- 1) Before commencing business sign the code of ethics as circulated by WASREB.
- 2) Have a schedule of full board meetings at the end of every year for the next year.
- 3) Have only one full board meeting in every quarter.
- 4) Define the limits of authority of the Managing Director and other top executives in a schedule of duties.
- 5) Approve an annual budget in consultation with the respective WSB in accordance with the Service Provision Agreement.
- 6) Devote sufficient time to their responsibilities.
- 7) Have an approved organizational structure and adhere to the staff efficiency ratio guideline of 8 staff per 1,000 connections.
- 8) Have a performance management and appraisal system in place.
- 9) Map out communication strategy for internal and external liaisons to include at least one public forum in its area of supply.
- 10) Define how the Board will operate including:
- 11) Embark on bench marking with other WSPs to constantly monitor management performance and the financial progress of the company.

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- 12) Evaluate its own performance at least once every year based on the Service Provision Agreement.
- 13) Ensure that the company is properly managed and for the attainment of lawful objectives.
- 14) Ensure that the company's affairs are not managed or conducted in a manner oppressive to any of its
- 15) Shareholders or for fraudulent purposes.
- 16) Ensure that the company complies with all statutory requirements, including directives issued by

**Remuneration**

Directors are entitled to sitting allowance for every meeting attended, lunch allowance (accommodation allowance and mileage reimbursement where applicable), within set limits of Board Minutes upon approval by shareholders in an Annual General Meeting in accordance and within the approved limits set in the guidelines by the Government to all state corporations. Furthermore, Chairman is paid a monthly honorarium.

**Accountability and audit**

The Companies Act, 2015 vests sole responsibility on Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company. Director's responsibility stems from the premise that suitable accounting policies are consistently applied supported by reasonable and prudent judgments and estimates on proper accounting records kept disclosing with reasonable accuracy the financial position of the Company. Additionally, applicable accounting standards which include International Financial Reporting Standards and Relevant Laws of Kenya, Water Act, State Corporations Act, Public Financial Management Act, 2012 among others are followed as well as the duty to exercise care, skill and diligence. To achieve this, they have a fiduciary duty to ensure adequate internal control systems are in place to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Directors' shareholding**

None of the Directors owns Company shares in their individual capacity.

**Ethical standards**

The Company works towards ensuring that Directors and staff conduct themselves with integrity and professionalism in accordance with the Company's Code of Ethics for employees and the Directors Code of Conduct issued by WASREB. These are public statements that stipulate expectations and hold us accountable for our business conduct. Directors and all employees are required to read, understand, sign and remain bound by their provisions. The Company intends to carry out integrity awareness, training, risk assessments and enforcement of corruption prevention measures. The Company remains open to receiving complaints and making follow-ups on allegations and cases of unethical

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conduct. Objective analysis of reported cases will be done and appropriate action instituted to control and mitigate any risk arising. The Company continues to collaborate with external partners to entrench a culture of ethics and integrity.

**Communication with Stakeholders**

The Company values and maintains good relations with stakeholders as fostered through effective communication. Company reports are available on the Company website at [www.gwasco.co.ke](http://www.gwasco.co.ke) and shared at the Annual General Meeting with the shareholders.

All shareholders are entitled to attend and vote at the AGM for which notice is published at least 21 calendar days before the meeting. Stakeholders are also given an opportunity to ask questions or seek clarification on any matter relating to Company business during the AGM. In addition, the Company maintains an open-door policy and stakeholders have direct access to the Managing Director.

**Board Committees**

The following standing committees assisted to effectively discharge various business functions and responsibilities.

To enhance corporate governance, the Board has three committees namely; Finance, HR & Procurement, Technical and Audit Committees. These standing committees assist the Company to effectively discharge various business functions and responsibilities. The committees submit reports of their activities to the Board on a regular.

**Finance, HR & Procurement Committee**

The Finance, HR & Procurement committee is responsible for ensuring that the Company's financial and administrative policies are adequate and has the right staff, at the right place and doing the right thing at the right time for the right course. The committee is also responsible for reviewing the Company's annual budget and quarterly financial reports. They also collaborate with Technical Committee in reviewing the viability of the Company's new projects.

**Technical Committee of the Board**

The committee is responsible for strategic planning, exploration of opportunities and developing proposals for funding and investment programs for the Company. This committee has oversight responsibility of ensuring that Company is complying with the agreements signed between it and the financiers. It also ensures that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

**Audit Committee**

The committee comprises three non-executive directors and regularly invites Internal Audit Manager to its meetings. The Internal Audit Manager of the Company is the Secretary of the Committee. The committee is charged with the responsibility of ensuring adequate

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operating and control process are applied to safeguard the Company assets by reviewing internal Controls Measures of the Company and recommends appropriate remedial action where necessary. The committee also reviews all areas of risk and weaknesses in the Company and considers Internal Audit reports. They also ensure that appropriate action is taken on the recommendations of both Internal and external Auditors.

## **VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

The financial statements comprise two components:

- a) Financial performance
- b) Operational performance

As part of the financial statements, included are the statement of financial position, statement of comprehensive income, statement of changes in equity and the statement of cash flows

Results of operations are recorded using accrual basis of accounting whereby transactions are reported when underlying events occur regardless of the timing of cash flows. In this regard, revenues and expenses are reported in these financial statements for some items that will result in cash flows in future fiscal periods which include accounts receivable and accounts payable.

The statements of cash flows present the flow of cash and cash equivalents during the last two fiscal years. The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in these financial statements.

### **Financial and operational review**

During the year, the company's revenue improved by 15% from Shs. 129,112,400 million in the financial year 2019/2020 to Shs 153,408,600 million in the financial year 2020/2021. The increase can be attributed to sustained efforts in revenue collection. However, the company realized a marginal surplus of Kshs 8,812,700 up from Kshs. (21,725,800) the previous year occasioned by the increase in costs of production manifested by the increase in chemical, electricity and other operational costs despite improved revenue.

### **Service to the Poor Settlements**

In line with our social mandate of providing services to the less privileged, the Company continued implementing the pro-poor interventions aimed at improving the lives of the people living in the urban poor settlements. Providing free water pro poor areas (Jogoo and Nyanchwa), Provision of Urban free water to Nubia, institutions, schools and dispensaries, and Provision of tank services to Nubia, institutions, schools and dispensaries.

### **Risk: Water resources and climate change**

Risks description: Failure to develop our infrastructure, to improve its resilience and to manage demand would mean that we would not be able to meet our statutory duties and meet future demand. Climate change will increase instances of severe flooding and drought which can affect the availability of resources and the operation of our infrastructure.

Mitigation: We operate in an area of serious water stress and manage demand through our metering programme. We have also consistently endeavoured to meet our NRW targets.

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Our Water Resources Management Plan is developed to take account of opportunities for cooperation between WASREB and WARMA.

**Risk: Regulatory and legal compliance**

Risks description: Our business operates within a specific legislative and regulatory framework and many of our activities have an impact on the environment. Failure to ensure compliance with regulatory and legislative requirements may lead to criminal and civil liability, regulatory enforcement actions and disruption to the business and loss of management time. It will also affect the perception of GWASCO by customers, regulators and others with a stake in our business. Mitigation: We have a wide range of policies, processes and controls to ensure that we meet our duties and obligations. We also monitor compliance with our statutory obligations for the purpose of reporting on our performance and for the purpose of our compliance. We review annually compliance performance and processes with the relevant department. We monitor changes to compliance requirements in order to adapt our processes and policies when required.

**Risk: Security and information security**

Risks description: The security and resilience of our information infrastructure is essential to maintain our service to the public. We must protect ourselves from loss of data and systems, and cyber-attacks and keep customers' data up-to-date and safe. Failure to protect personal data may lead to enforcement actions and legal actions and would cause reputational damage. Loss or corruption of data would result in disruption to the business and additional costs.

These financial statements are designed to provide a general overview of the company's finances.

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The core values are the fundamental principles that guide the behavior of every person or entity working with GWASCO. They should be practiced and embraced to create the organizational culture to drive GWASCO's vision. The core values guiding GWASCO are:

- Customer focus
- Integrity
- Gender Responsive
- Professionalism
- Team work
- Innovation

Gusii Water and Sanitation Company Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 4 pillars: focusing on our Customer first, delivering reliable water and sanitation services, and improving operational sustainability. Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile**

The Company as an agency has been able to Manage water devolved to the County Government after transition from National Government. It's now under the ownership of two County Governments of Kisii and Nyamira. This has offered a wide coverage area providing potential for more customers. Cross-county ownership, however, poses a risk of misunderstanding on distribution of water and sewerage services and structure of governance and supervision.

High cost of production involving electricity poses a great macroeconomic challenge. This led to: Cost recovery challenges, reduced revenue, Disruption of water services due to frequent disconnections and power fluctuations. The Company applied to the regulator for tandem adjustments of water tariff by WASREB

### **2. Environmental performance**

The Company could not sustainably manage solid/liquid waste and this was further compounded by sewer leakages. Further it was faced with catchment degradation through human activity such as deforestation and encroachment of water sources and Climate change and environmental degradation. This led to compromised water quality, high turbidity/ siltation, reduced water levels and sources, destruction of wetlands, water sources are threatened by reduction in water base, and flow due to prolonged dry spells and unpredictable rains. To mitigate on this, the Company has endeavoured to public awareness on proper waste management. lobby for

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environmental protection, and adopt climate change adaptation and coping mechanisms

**3. Employee welfare**

The company has an existing human resources policy guiding hiring processes. It is in the process of developing policy on safety and compliance as per Occupational Safety and Health Act of 2007, (OSHA) which it has subscribed with.

**4. Market place practices-**

a) Responsible competition practice.

The company adheres to responsible competition practice by steering off corrupt practices. Being aware of the political environment we operate in, we direct our energy and efforts towards sustainably meeting customer expectations.

b) Responsible Supply chain and supplier relations-

The accounts payable have remained relatively high. Despite this, the Company has negotiated with suppliers and established a payment plan to reduce the amount owed to suppliers.

c) Responsible marketing and advertisement

The company adheres to responsible marketing and advertisement practices in its operations in creating awareness of its products to customers.

d) Product stewardship- outline efforts to safeguard consumer rights and interests

Every consumer has a constitutional right of access to safe and potable water. The Company is under obligation to meet this requirement and has endeavored to do so.

**5. Corporate Social Responsibility/Community Engagements-**

We encourage all employees to stay engaged with the community. We offer to pay leave to our employees if they wish to get involved in charity work during business hours.

The Company has entered into a partnership with learning institutions who play a role in teaching primary, secondary schools, colleges and university students how water, waste water and sanitation services are treated, supplied and why it is such is an important part of our lives.

Gusii Water also sponsor many regional ASK business excellence awards, Country Charities and environmental activities through our partnerships with various stakeholders.

Over the years GWASCO Ltd. has had the pride on its regular contribution towards community regeneration activities. We have continued this long-standing tradition of providing the communities with high quality and affordable Water and Sanitation Services. Within the past years, we concentrated on the improvement of the infrastructure and made substantial contributions towards the construction and maintenance of water and Sewer networks in our areas of our Jurisdiction and promoted sanitation. These have surely controlled to a lower level diseases caused by contaminated water.

**X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Company's affairs.

**i) Principal activities**

The principal activities of the entity are provision of water and sewerage services.

**ii) Results**

The results of the entity for the year ended June 30, 2021 are set out on page 1-87. Below is summary of the profit or loss made during the year.

**iii) Dividends**

Subject to the approval of the shareholders, the Directors do not recommend the payment of any dividend for the year.

**iv) Directors**

The members of the Board of Directors who served during the year are shown on page V. The term for the directors shown on this page expired in May 2021 and paved way for appointment of new board of directors.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

**Sign:**



Col. (Rtd) Charles N. Moturi

Chairman

04 May 2022

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**XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, the Companies Act, and the Water Act require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

**Going Concern**

The financial statements have been prepared on a going concern basis. 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 these financial statements.

As at 30 June 2021, the statement of financial position reflected an excess of current assets over current liabilities by a slight margin of Ksh. 6,785,009. The weakened working capital was primarily caused by reeling effects of COVID-19. Moreover, during the financial year ended 30 June 2021 the Company experienced a marginal surplus of Kshs. 8,812,700.36

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(2020: loss (21,725,800). This extremely disappointing performance reflected the continued difficult trading conditions suffered by the Company demand management and service area coverage caused by the increased level of Non-Revenue Water in the distribution system. The continuing viability of the Company and its ability to continue as a going concern is dependent upon the Company being successful in its continuing efforts in growing its revenue base and/or accessing additional sources of capital from financiers.

The directors are satisfied that the Company is able to meet its working capital liabilities through the normal cyclical nature of receipts and payments.

The Company has successfully expanded its revenue base by securing a major loan through the Government of Kenya for expansion works at Kisii and Nyamira which will have additional net cash inflows.

Consequently, the directors have proactively sought to address the deficiency in net current assets and improved cash performance via the following initiatives:

- a) Continued focus on debtors invoice collections, keeping inventory levels at a minimum; and
- b) Continued focus on cost management and containment in all areas of business.

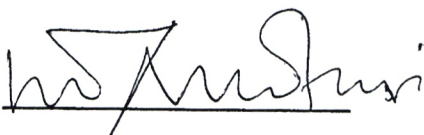
As a result of the above matters, the directors are of the view that the Company will continue as a going concern and, therefore, will realize its assets and liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The directors remain confident about the successful achievement of projected income targets and therefore no adjustments have been made to these financial statements relating to the recoverability and classification of the asset carrying amounts.

The directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis.

**Approval of the financial statements**

The Company's financial statements were approved by the Board on 4/5/ 2022 and signed on its behalf by:

**Signature**



Col. (Rtd) Charles N. Moturi  
Chairman  
04 May 2022

**Signature**



Albert Oisebe Onyari  
Ag. Managing Director  
04 May 2022

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON GUSII WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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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 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 the Gusii Water and Sanitation Company Limited set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive

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*Report of the Auditor-General on Gusii Water and Sanitation Company for the year ended 30 June, 2021*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gusii Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2021 reflects cash generated from operations comparative amount of Kshs.6,408,700 for 2019/2020 financial year which differs with a corresponding figure of Kshs.5,340,500 indicated in Note 26 to the financial statements. The resulting difference of Kshs.1,068,200 was not explained.

In the circumstances, the accuracy of cash generated from/ (used in) operations comparative amount of Kshs.6,408,700 could not be confirmed.

#### **2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects personnel emoluments, administrative expenses and production costs actual amounts on comparable basis of Kshs.92,939,100, Kshs.31,212,900 and Kshs.64,347,700 respectively. However, schedules in support of these amounts were not provided. Further, the statement reflects total actual revenue of Kshs.215,573,200, while the statement of profit or loss and other comprehensive income indicates a corresponding amount of Kshs.106,819,600, resulting in an unexplained variance of Kshs.108,753,600.

In addition, the statement reflects total actual expenditure of Kshs.206,760,500 which differs with total expenses of Kshs.98,006,900 reported in the statement of profit or loss and other comprehensive income. The resultant variance of Kshs.108,753,600 was unexplained.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts for the year under review could not be confirmed.

#### **3. Share Capital**

The statement of financial position reflects ordinary share capital of Kshs.100,000. divided into 20,000 ordinary shares of Kshs.5 each as disclosed in Note 19 to the financial statements. As reported in the previous year, the shares as per the Business Registration

Service, the Office of the Attorney General and the Department of Justice are still owned by the defunct Local Authorities. Further, the shares had not been transferred to and paid for by the two County Governments of Nyamira and Kisii as of 30 June, 2021.

In the circumstances, the ownership, accuracy, and completeness of the issued capital of Kshs.100,000 as at 30 June, 2021 could not be confirmed.

#### **4. Irregular Payments of Directors' Emoluments**

Included is amount of Kshs.6,039,100 relating to directors' emoluments. The amount includes payments in respect of travelling and accommodation, transport and lunch allowances of Kshs.1,879,905, Kshs.1,334,250 and Kshs.318,010, respectively. However, Examination of payment vouchers relating to these payments revealed that they were not passed for payment by Accountant, verified by Internal Audit, approved by Finance Manager and authorized by Managing Director as required.

In the circumstances, the regularity of the expenditure of Kshs.3,352,165 on directors' emoluments could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

##### **1. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.327,935,500 and Kshs.215,573,200 respectively resulting to an under-funding of Kshs.112,362,300 or 34% of the budget. Further, the Company spent Kshs.206,760,500 against an approved budget of Kshs.327,935,500, resulting in an under-expenditure of Kshs.121,175,000 or 37% of the budget.

Based on the approved estimates, under funding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

##### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public

Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## 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 effect of 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. Irregular Procurements of Computer Software and Repair Works

Note 10 to the financial statements reflects administration expenses amounting to Kshs.85,785,200. However, the following matters were noted:

- i. The procurement process of the billing system was not initiated by the user department as required under Section 151(1) of the Public Procurement and Asset Disposal Act, 2015. While the software specifications/parameters needed at the time of advertisement were not indicated.
- ii. Included is an amount of Kshs.778,300 spent on computer software. Examination of documents relating to procurement and subsequent payments for the computer software revealed that a payment of Kshs190,900 was made to an individual while upgrading the billing system on diverse dates. However, payment for upgrade was not provided for in the service contract.
- iii. In addition, also included is an amount of Kshs.411,700 spent on repair of computers. However, there were no communications from ICT Department requisitioning for the repairs.

In the circumstances, Management was in breach of law and the regularity of the expenditure of Kshs.778,300 spent on the software and of Kshs.411,700 incurred on the computer repairs could not be confirmed.

#### 2. Non- Remittance of Statutory Deductions

Note 23 to the financial statements reflects employee payables of Kshs.52,763,100 which includes an amount of Kshs.15,012,325 relating to outstanding pension and provident funds deductions and remittances. However, the amount had not been remitted to the relevant pension and provident bodies. This was contrary to Section 53A (1) of the Retirement Benefits Authority Act, 2012 which requires the employer to remit the deductions within fifteen days of the deduction.

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

### **3. Long Outstanding Agency Accounts**

The statement of financial position reflects agency account balance of Kshs.44,913,400 which, as disclosed in Note 24 to the financial statements, comprises Service Provision Agreement (SPA) fee - Kshs.21,121,800, regulatory fee - Kshs.20,559,000 and Water abstraction fee - Kshs.3,232,600. However, review of the aging analysis in support of the agency account balance revealed that creditors with a total amount of Kshs.36,222,699 or 81% of the total balance had been outstanding for the period between two (2) years and twelve (12) years as at 30 June, 2021.

In the circumstances, the Company may be sued for non-payment by the service providers and attract other nugatory costs in form of legal expenses and interest on the outstanding amounts.

### **4. Non-Revenue Water (NRW)**

The Company produced 3,899,123 cubic meters (M<sup>3</sup>) of water out of which 1,618,289 M<sup>3</sup> were billed to customers. The balance of 2,280,834 M<sup>3</sup> or approximately 58% of the volume produced) represents the Non-Revenue Water (NRW), which is 1,303,053 M<sup>3</sup> or 33% above the allowable loss of 25% prescribed by the Water Services Regulatory Board Guidelines, 2010. This resulted in loss of sales estimated at Kshs.74,179,750 at an average rate of Kshs.56.79 per M<sup>3</sup>. This is an indication of lack of efficiency and effectiveness in the use of public resources.

In the circumstances, loss of Kshs.74,179,750 in form of NRW negatively impacted on the Company's profitability and its long-term sustainability.

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**

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

### **Basis for Conclusion**

#### **1. Lack of Human Resource Plans**

The Company Limited operated without human resource plans in place. This was contrary to Section B2 of Kisii County Public Service Human Resource Policies and Procedures Manual.

In the circumstances, Management was in breach of the of the requirement of the procedure manual.

## **2. Lack of Approved Risk Management Policy**

The Company Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. Further, the Company operated without an Information System Disaster Recovery Plan and a Business Continuity Plan. Information Communication Technology (ICT) Function had two officers but without defined roles. This is in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, Management was in breach of law and the operations may be affected by disruptions.

## **3. Irregular Access to Company's Data by Software Provider**

The Company Limited entered into an agreement with the Service Provider in respect of the billing services through Majisoft system. The agreement allowed the service provider access to the raw data and information belonging to the Company and its customers. Further, the data captured by the billing system was hosted by the Service Provider as the custodian of such information. The agreement allowed the Service Provider to utilize the same data to enhance their business.

In addition, some computers were using Windows 7 which was outdated and had been discontinued by the service provider. The Company was using a pirated software called ArcGIS for geographical mapping of their customers and the computers operated without an-antivirus software.

In the circumstances, the confidentiality, integrity and availability of the system and information processed and stored by the service provider could not be guaranteed.

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 processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- (ii) in my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

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

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

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

The 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 the 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 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 controls 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 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 September, 2022

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

	Note	2020-2021 Kshs	2019-2020 Kshs
<b>REVENUES</b>			
Revenue	6	153,408,600	129,112,400
Cost of sales	7	108,753,600	104,237,100
<b>Gross profit</b>		<b>44,655,000</b>	<b>24,875,300</b>
<b>Other Income</b>			
County Government Grants	8	36,001,200	20,291,700
Other Income	9	26,163,400	6,048,300
<b>TOTAL REVENUES</b>		<b>106,819,600</b>	<b>51,215,300</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	10	85,785,200	66,236,300
Selling and Distribution Costs	11	11,833,300	6,409,000
Finance Costs	12	388,400	295,800
<b>TOTAL OPERATING EXPENSES</b>		<b>98,006,900</b>	<b>72,941,100</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>8,812,700</b>	<b>(21,725,800)</b>
INCOME TAX EXPENSE/(CREDIT)		0	0
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>8,812,700</b>	<b>(21,725,800)</b>
Earnings per share – basic and diluted		0	0
Dividend per share		0	0
<b>OTHER COMPREHENSIVE INCOME</b>			
Profit/ (Loss) after taxation		<b>8,812,700</b>	<b>(21,725,800)</b>
Surplus or deficit on revaluation of PPE		0	0
Remeasurement of net defined benefit liability		0	0
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>8,812,700</b>	<b>(21,725,800)</b>

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**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**


	Note	2020-2021 Kshs	2019-2020 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	44,771,600	44,185,200
Intangible assets	15	100,700	201,100
<b>Total Non-Current Assets</b>		<b>44,872,300</b>	<b>44,386,300</b>
<b>Current Assets</b>			
Inventories	16	1,055,400	678,800
Trade and other receivables	17	147,013,500	108,879,800
Bank and cash balances	18	7,234,100	2,147,300
<b>Total Current Assets</b>		<b>155,303,000</b>	<b>111,705,900</b>
<b>Total Current and Non-Current Assets</b>		<b>200,175,300</b>	<b>156,092,200</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	19	100,000	100,000
Capital reserves	20	67,053,200	67,053,200
Retained earnings	21	(28,929,700)	(37,742,400)
<b>Capital and Reserves</b>		<b>38,223,500</b>	<b>29,410,800</b>
<b>Non-Current Liabilities</b>			
Customer Deposits	22	18,366,600	14,466,100
<b>Total Non-Current Liabilities</b>		<b>18,366,600</b>	<b>14,466,100</b>
<b>Current Liabilities</b>			
Trade and other payables	23	98,671,800	71,311,100
Agency Account	24	44,913,400	40,904,200
<b>Total Current Liabilities</b>		<b>143,585,200</b>	<b>112,215,300</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>200,175,300</b>	<b>156,092,200</b>

The financial statements were approved by the Board on **04 May 2022** and signed on its behalf by:

Managing Director  
 Albert Oisebe Onyari

Head of Finance  
 CPA Thaddeus M. Mogoi  
 ICPAK M/NO: 10736

Chairman of the Board  
 Col. (Rtd) Charles N. Moturi

Signature 

Signature 

Signature 

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

	Note	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at July 1, 2019</b>		<b>100,000</b>	<b>67,053,200</b>	<b>(16,016,700)</b>				<b>51,136,500</b>
New capital issued		0	0	0				0
Deferred tax on excess depreciation		0	0	0				0
Profit for the year		0	0	(21,725,800)				(21,725,800)
Capital/Development grants received during the year								0
Transfer of depreciation/amortization from capital fund to retained earnings								0
Proposed final dividends		0	0	0				0
<b>As at June 30, 2020</b>		<b>100,000</b>	<b>67,053,200</b>	<b>(37,742,500)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,410,700</b>
<b>As at July 1, 2020</b>		<b>100,000</b>	<b>67,053,200</b>	<b>(37,742,500)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,410,700</b>
Issue of new share capital								0
Revaluation gain								0
Deferred tax on excess depreciation								0
Profit for the year				8,812,700				8,812,700
Capital/Development grants received during the year								0
Transfer of depreciation/amortization from capital fund to retained earnings								0
Proposed final dividends								0
<b>At June 30, 2021</b>		<b>100,000</b>	<b>67,053,200</b>	<b>(28,929,799)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,223,400</b>

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

	Note	2020-2021 Kshs	2019-2020 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM/(USED IN) OPERATIONS</b>	26	(2,217,100)	(6,408,700)
Interest received	42(c)	0	
Interest paid	42(c)		
Dividends paid	41		
Taxation paid	28		
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>(2,217,100)</b>	<b>(6,408,700)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	14	3,403,300	534,000
Proceeds from disposal of property, plant and equipment			
Purchase of intangible assets	20		
Purchase of investment property	21		
Purchase of quoted investments	25		
Proceeds from disposal of quoted investments			
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>3,403,300</b>	<b>534,000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital			
Proceeds from borrowings (customer deposits received)	22	3,900,500	1,605,100
Repayment of borrowings	35	0	
Dividends paid	41	0	
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>3,900,500</b>	<b>1,605,100</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,086,700</b>	<b>(4,269,600)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>2,147,300</b>	<b>6,416,900</b>
Effects of foreign exchanges rate fluctuations		0	0
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>42</b>	<b>7,234,000</b>	<b>2,147,300</b>

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2020-2021	2020-2021	2020-2021	2020-2021	2019-2020	2020-2021
			Kshs	Kshs	Kshs	
<b>Revenue</b>						
Water Sale	188,555,900	188,555,900	188,555,900	94,952,300	(93,603,600)	-50%
Sewer	80,447,300	80,447,300	80,447,300	55,500,500	(24,946,800)	-31%
Meter Rent	2,507,900	2,507,900	2,507,900	2,955,800	447,900	18%
<b>Total Income from operations</b>	<b>271,511,100</b>	<b>271,511,100</b>	<b>271,511,100</b>	<b>153,408,600</b>	<b>(118,102,500)</b>	<b>-43%</b>
Collection efficiency	95%	95%	95%			
Projected Collections	257,935,500	257,935,500	257,935,500	153,408,600	(104,526,900)	-41%
Grant from County Government	70,000,000	70,000,000	70,000,000	36,001,200	(33,998,800)	-49%
In-Kind Contributions	0	0	0	0	0	
Other Income	0	0	0	26,163,400	26,163,400	
<b>Total Income</b>	<b>327,935,500</b>	<b>327,935,500</b>	<b>327,935,500</b>	<b>215,573,200</b>	<b>(112,362,300)</b>	<b>-34%</b>
<b>Expenses</b>						
Personnel Emoluments	110,590,000	110,590,000	110,590,000	92,939,100	17,650,900	16%
Directors Remuneration	7,364,900	7,364,900	7,364,900	6,039,100	1,325,800	18%
Administrative expenses	28,252,300	28,252,300	28,252,300	31,212,900	(2,960,599)	-10%
Production Costs	106,152,900	106,152,900	106,152,900	64,347,701	41,805,199	39%
Operational Costs	35,048,400	35,048,400	35,048,400	11,833,300	23,215,100	66%
Depreciation	0	0	0	0	0	
Amortization of Intangible Assets	0	0	0	0	0	
Provision for doubtful debts	0	0	0	0	0	
Finance Costs	0	0	0	388,400	(388,400)	
Investments	40,527,000	40,527,000	40,527,000	0	40,527,000	100%
<b>Total expenditure</b>	<b>327,935,500</b>	<b>327,935,500</b>	<b>327,935,500</b>	<b>206,760,500</b>	<b>121,175,000</b>	<b>37%</b>
<b>Surplus (Deficit) for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,812,700</b>	<b>(233,537,300)</b>	



- a) Performance difference of (-) 50% Income from Water was due to inconsistent electricity supply that interrupted regular water provision to our customers.
- b) Performance difference of (-) 31% Income from Sewer was due to inconsistent electricity supply that interrupted regular water provision to our customers.
- c) Performance difference of (+) 18% Income from Meter Rent was due to inconsistent electricity supply that interrupted regular water provision to our customers.
- d) The management will continue to institute stringent measures to control administration, operational and production costs to cover for budgetary shortfalls where cash flow was insufficient to cover for planned recurrent and investment expenditures.

## **XVIII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

The Company is established by and derives its authority and accountability from the Water Act. The Company is wholly owned by the County Governments of Kisii and Nyamira and is domiciled in Kenya. The Company's principal activity is provision of Water and Sewerage Services.

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

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company and all values are rounded to the nearest one hundred shillings.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, the Companies Act 2015, the Water Act 2016 and the International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

**i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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Title	Description	Effective Date
	Specific disclosures are required in relation to transferred financial assets and a number of other matters.	
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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

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

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.
- ii. The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.
- iii. Early adoption of standards  
The entity did not early – adopt any new or amended standards in year 2020/2021

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

**4. Summary of Significant Accounting Policies**

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

**a) Revenue recognition**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies**

**b) In-kind contributions**

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment 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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies**

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs 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:

<b>Item of PPE</b>	<b>PERIOD</b>	<b>RATE</b>
Pipeline (Infrastructure)		
5%		
Building & civil work	2.5 years	10%
Plant & machinery	12.5 years	12%
Motor vehicle	4 years	15%
Computers	3 years	33.33%
Office equipment, furniture and fittings	12.5 years	15%

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.

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

**Summary of Significant Accounting Policies**

**e) Intangible assets**

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

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

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

**g) Investment property**

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

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

**Summary of Significant Accounting Policies**

**h) Right of Use Asset**

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

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

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

**j) Quoted investments**

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

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

**Summary of Significant Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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

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

**Summary of Significant Accounting Policies**

**n) Taxation**

**i) Current income tax**

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

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

**o) Deferred tax**

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



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies**  
**Deferred Tax**

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

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

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

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

**Summary of Significant Accounting Policies**

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**r) Borrowings**

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

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

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The contributes to a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by CPF Financial services and LAP fund 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.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

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

**Summary of Significant Accounting Policies**

**w) Budget information**

The original budget for FY 2020-2021 was approved by the Board of Directors on 29 June 2020. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

**a) Service concession arrangements**

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**b) Comparative figures**

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

**c) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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

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

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

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

**b) Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the 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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 10.

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

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

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

**6. Revenue**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Sales of goods</b>		
<b>Sales of services</b>		
Water	94,952,300	75,836,500
Sewer	55,500,500	50,746,000
Refuse	45,100	0
Rent	2,910,700	2,529,900
<b>Total</b>	<b>153,408,600</b>	<b>129,112,400</b>

**7. Cost of Sales**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost of sales on goods</b>		
Chemicals	7,880,200	6,166,700
<b>Cost of sales on services</b>		
Production Staff Salaries and Wages	44,405,900	45,973,800
Service Provision Agreement Administration fee (LVSWWDA)	0	4,010,500
Regulatory Levy (WASREB)	5,945,000	5,164,300
Abstraction Levy (WRA)	1,251,700	1,227,700
Electricity	49,270,800	41,694,100
<b>Total</b>	<b>108,753,600</b>	<b>104,237,100</b>

**8. County Government Grants**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Recurrence grants received	36,001,200	20,016,100
In Kind contributions/ donations	<b>0</b>	275,600
<b>Total</b>	<b>36,001,200</b>	<b>20,291,700</b>

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

<b>Name of the Entity sending the grant</b>	<b>Amount recognized in the Statement of Comprehensive Income KShs</b>	<b>Amount deferred under deferred income KShs</b>	<b>Amount recognized in capital fund. KShs</b>	<b>Total grant income during the year KShs</b>	<b>2020-2021 KShs</b>
County Government of Kisii	25,943,200	0	0	0	25,943,200
County Government of Nyamira	10,058,000	0	0	0	10,058,000
<b>Total</b>	<b>36,001,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,001,200</b>

**9. Other Income**

	<b>2020/2021 Kshs</b>	<b>2019/2020 Kshs</b>
Change of Name	130,000	152,900
Exhauster Charges	2,322,000	2,378,000
Exhauster permit	0	90,000
Meter Testing	2,400	2,800
New Connection	14,750,500	1,248,500
Reconnection Fee	263,400	153,700
Sewer	7,874,900	0
Sewer Charges	0	5,000
Sewer Discharge	30,000	152,000
Sewer New Connection	597,500	1,095,000
Statement charges	30,000	23,800
Surcharge	6,000	199,100
Survey Fee	0	0
Termination	22,200	23,400
Ton	200	600
Water Bowser	134,300	433,500
Water Bowser Permit	0	90,000
	<b>26,163,400</b>	<b>6,048,300</b>

**Gusii Water and Sanitation Company Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. Administration Costs**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff costs (note 10b)	48,533,200	39,547,000
Directors' emoluments	6,039,100	4,609,300
Travelling & accommodation	2,761,200	1,791,600
Transport & Lunch	1,181,300	1,002,600
Health, Hygiene and Safety	216,900	
Protective clothing/ Uniforms	437,400	262,800
HIV & Covid-19 Programs	66,200	
Staff welfare & donations		277,100
Staff entertainment & others	418,500	132,100
Printing & Reproduction	46,400	10,000
Stationery	562,900	474,600
Consumables	187,900	403,800
Newspapers	36,300	30,100
Advertising & Publicity	552,400	781,200
Office Landlines(Telephone)		400
Mobile Airtime	151,200	40,000
Postage	7,400	1,100
Bulk sms	28,000	180,100
Repair of office equipment	2,400	15,600
Computer Repairs	411,700	29,750
Computer Softwares	778,300	41,500
Insurance Expense	1,120,700	2,034,700
Security Services	5,924,000	5,325,250
Audit fee	446,600	446,600
Legal fees	336,500	1,120,000
Secretarial Services	1,557,100	390,600
Consultancy Services	4,565,500	60,500
Internet Broadband	702,400	358,500
Subscriptions and Dues	306,800	285,800
Donations	62,500	49,100
Office Rent	270,000	264,000
Staff Training	255,400	98,300
Medical Expenses	12,000	38,300
Depreciation	3,469,500	3,767,600
Amortization	100,400	100,400
Provision for bad and doubtful debts	4,237,100	2,266,000
<b>Total</b>	<b>85,785,200</b>	<b>66,236,300</b>

**Gusii Water and Sanitation Company Ltd**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10b Staff Costs**

<b>Staff costs</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and allowances of permanent employees	33,318,000	33,244,500
Wages of temporary employees	3,284,100	850,100
Medical insurance schemes		
Employer's contributions to national social security schemes	321,300	
<b>Employer's contributions to pension scheme</b>		
CPF Financial Services	2,142,500	2,231,300
LAp Fund	56,500	56,500
NW Pension	957,800	1,120,300
Leave pay	0	2,044,300
Gratuity provisions	8,453,000	0
Fringe Benefit tax	0	0
Staff welfare	0	0
<b>Total</b>	<b>48,533,200</b>	<b>39,547,000</b>

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

Permanent employees – Management

Permanent employees – Unionisable

Temporary and contracted employees

<b>Total</b>	<b>0</b>	<b>0</b>
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. Selling and distribution costs**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Other selling and distribution costs</b>		
<b>Operational Costs</b>		
Ground maintenance	727,200	46,600
Electrical appliances	130,200	8,300
Cleaning materials	56,500	6,700
Maintenance of buildings	55,500	28,900
Building materials		0
Plant/tanks repairs and maintenance	32,300	389,300
Sewer network repairs	234,300	279,700
Pipe network repairs	3,434,700	2,024,400
Tools & equipment for repairs	224,600	262,300
Fuel & Oil	4,713,500	2,327,900
Hired Transport	158,100	63,600
Vehicles repair & maintenance	1,749,700	149,400
Exhauster Repairs	0	708,300
Motor Cycle Repairs	0	21,000
Servicing/Repairs	316,700	92,600
<b>Total</b>	<b>11,833,300</b>	<b>6,409,000</b>

**12. Finance costs**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Finance costs</b>		
Charges on cash and bank balances	105,700	121,200
M-pesa transaction charges	282,700	174,600
Interest expense on bank overdrafts	0	0
<b>Total</b>	<b>388,400</b>	<b>295,800</b>

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

**13. Operating profit/ (loss)**

<b>Operating profit/ (loss)</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10b)	92,939,100	39,546,954
Depreciation of property, plant and equipment	3,469,500	3,767,600
Depreciation of right-of-use asset	0	0
Amortization of intangible assets	100,400	100,400
Provision for bad and doubtful debts	4,237,100	2,266,000
Directors' emoluments – fees	6,039,100	4,609,300
- other	0	0
Auditors' remuneration - current year fees	446,600	446,600
- prior year under-provision	0	0
Loss on disposal of property, plant and equipment	0	0
Net foreign exchange loss	0	0
Interest receivable	0	0
Interest payable	0	0
Rent receivable	0	0

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

**14. Property, Plant and Equipment**

<b>2021</b>	<b>Pipeline</b>	<b>Buildings / Civil works</b>	<b>Plant and Machiner y</b>	<b>Motor Vehicle s</b>	<b>Comput ers</b>	<b>office Equipmen t</b>	<b>Capital Work in progres s</b>	<b>Total</b>
<b>COST OR VALUATION</b>								
At July 1, 2020	54,249,000	2,529,000	5,714,500	0	330,000	43,000	(0)	<b>62,865,500</b>
Additions	3,403,332	0	0	0	652,591	0	0	<b>4,055,923</b>
Transfers	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	0	<b>0</b>
<b>At June 30, 2021</b>	<b>57,652,333</b>	<b>2,529,000</b>	<b>5,714,500</b>	<b>0</b>	<b>982,591</b>	<b>43,000</b>	<b>(0)</b>	<b>66,921,423</b>
<b>DEPRECIATION</b>								
At July 1, 2020	11,244,500	1,540,600	5,662,700	0	216,100	16,400	0	<b>18,680,300</b>
Charge for the year	2,882,617	252,900	0	0	327,498	6,450	0	<b>3,469,464</b>
Impairment loss	0	0	0	0	0	0	0	<b>0</b>
Eliminated on disposal	0	0	0	0	0	0	0	<b>0</b>
<b>At June 30, 2021</b>	<b>14,127,117</b>	<b>1,793,500</b>	<b>5,662,700</b>	<b>0</b>	<b>543,597</b>	<b>22,850</b>	<b>0</b>	<b>22,149,764</b>
<b>NET BOOK VALUE June 30, 2021</b>	<b>43,525,216</b>	<b>735,500</b>	<b>51,800</b>	<b>0</b>	<b>438,994</b>	<b>20,150</b>	<b>(0)</b>	<b>44,771,659</b>

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

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

<b>2020</b>	<b>Pipeline</b>	<b>Buildings/ Civil works</b>	<b>Plant and Machinery</b>	<b>Motor Vehicles</b>	<b>Computers</b>	<b>office Equipment</b>	<b>Capital Work in progress</b>	<b>Total</b>
<b>COST OR VALUATION</b>								
At July 1, 2019	53,869,000	2,529,000	5,714,500	0	186,000	33,000	(0)	<b>62,331,500</b>
Additions	380,000	0	0	0	144,000	10,000	0	<b>534,000</b>
Transfers	0	0	0	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	0	0	0	<b>0</b>
<b>At June 30, 2020</b>	<b>54,249,000</b>	<b>2,529,000</b>	<b>5,714,500</b>	<b>0</b>	<b>330,000</b>	<b>43,000</b>	<b>(0)</b>	<b>62,865,500</b>
<b>DEPRECIATION</b>								
At July 1, 2019	8,532,000	1,287,700	4,977,000	0	106,100	9,900	0	<b>14,912,700</b>
Charge for the year	2,712,450	252,900	685,740	0	109,989	6,450	0	<b>3,767,529</b>
Impairment loss	0	0	0	0	0	0	0	<b>0</b>
Eliminated on disposal	0	0	0	0	0	0	0	<b>0</b>
<b>At June 30, 2020</b>	<b>11,244,450</b>	<b>1,540,600</b>	<b>5,662,740</b>	<b>0</b>	<b>216,089</b>	<b>16,350</b>	<b>0</b>	<b>18,680,229</b>
<b>NET BOOK VALUE At June 30, 2020</b>	<b>43,004,550</b>	<b>988,400</b>	<b>51,760</b>	<b>0</b>	<b>113,911</b>	<b>26,650</b>	<b>(0)</b>	<b>44,185,271</b>

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**14 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Pipeline	57,652,333	14,127,117	43,525,216
Buildings/ Civil works	2,529,000	1,793,500	735,500
Plant and Machinery	5,714,500	5,662,700	51,800
Motor Vehicles	0	0	0
Computers	982,591	543,597	438,994
office Equipment	43,000	22,850	20,150
Capital Work in progress	(0)	0	(0)
<b>Total</b>	<b>66,921,423</b>	<b>22,149,764</b>	<b>44,771,659</b>

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

	<b>Cost or valuation</b>	<b>Normal annual depreciation charge</b>
Plant and machinery	5,714,500	571,450
Motor vehicles, including motor cycles		

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**15. Intangible Assets**

**Intangible Assets**

**COST**

	2020/2021 Kshs	2019/2020 Kshs
At July 1	301,500	301,500
Additions	0	0
Disposals	0	0
<b>At June 30</b>	<b>301,500</b>	<b>301,500</b>

**AMORTISATION**

At July 1	100,400	0
Charge for the year	100,400	100,400
Disposals	0	0
Impairment loss	0	0
<b>At June 30</b>	<b>200,800</b>	<b>100,400</b>

**NET BOOK VALUE**

<b>At June 30</b>	<b>100,701</b>	<b>201,100</b>
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**16. Inventories**

**Inventories**

	2020/2021 Kshs	2019/2020 Kshs
Calcium Hypochlorite	307,300	147,100
Soda Ash	119,700	32,500
Aluminium Sulphate	628,400	376,000
Polmar	0	123,200
Engineering stores	0	0
Fuel, oil and lubricants	0	0
Motor vehicle spare parts	0	0
Goods in transit	0	0
Stationery and general stores	0	0
Finished goods	0	0
Work in progress	0	0
Less: Impairment of stocks	0	0
<b>Total</b>	<b>1,055,400</b>	<b>678,800</b>

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

**17. Trade and Other Receivables**

<b>Trade and Other Receivables</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables (note 17 (a))	163,348,300	120,977,500
Deposits and prepayments	0	0
VAT recoverable	0	0
Staff receivables (note 17 (b))	0	0
Other receivables	0	0
Gross trade and other receivables	163,348,300	120,977,500
Provision for bad and doubtful receivable	(16,334,800)	(12,097,700)
<b>Net trade and other receivables</b>	<b>147,013,500</b>	<b>108,879,800</b>

**17 (a) Trade Receivables**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	163,348,300	120,977,500
Provision for doubtful receivables	(16,334,800)	(12,097,700)
<b>Net trade receivables</b>	<b>147,013,500</b>	<b>108,879,800</b>

At June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	0	0
<b>Between 30 and 60 days</b>	0	0
Between 61 and 90 days	0	0
Between 91 and 120 days	0	0
Over 120 days	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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**18. Bank and Cash Balances**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cash at Bank</b>		
KCB - 1106368436	4,753,200	526,900
KCB - 1132172489	1,779,300	1,596,700
M-pesa Business - 993600	701,600	23,700
Add: Cash in Hand	0	0
	<b>7,234,100</b>	<b>2,147,300</b>

**19. Ordinary Share Capital**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Authorized:		
20,000 ordinary shares of Kshs.5.00 par value each	100,000	100,000
Issued and fully paid:		
20,000 ordinary shares of Kshs.5.00 par value each	0	0
	<b>100,000</b>	<b>100,000</b>

**20. Capital Reserve**

The capital reserve relates to the amount of property, plant and equipment. As indicated in the Statement of financial Position, this is stated after transfer of completed capital projects funded through grant from Water Sector Trust Fund. The amount funded is not repayable.

<b>Capital Reserves (WSTF)</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Reserves as at 1st. July	67,053,200	67,053,200
Additions	0	0
<b>As at 30 June</b>	<b>67,053,200</b>	<b>67,053,200</b>

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

**21. Retained Earnings**

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

<b>Retained earnings</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Reserves as at 1st. July	(37,742,400)	(16,016,600)
Profit/(Loss) for the Year	8,812,700	(21,725,800)
<b>Total</b>	<b>(28,929,700)</b>	<b>(37,742,400)</b>

**22. Customer Deposits**

These are customer deposit fee paid by the customers after entering into contractual obligations with the company at specified rates.

<b>Customer Deposits received</b>	<b>2020-2021</b>	<b>2019-2020</b>
Description	<b>KShs</b>	<b>KShs</b>
Balance at beginning of the year	<b>14,466,100</b>	<b>12,861,100</b>
Deposits Received	3,900,500	1,605,000
Refunds during the year (Deposit refunds)	0	0
<b>Balance at end of the year</b>	<b>18,366,600</b>	<b>14,466,100</b>

**23. Trade and Other Payables**

<b>Trade and Other Payables</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade payables	45,908,700	37,358,300
Accrued expenses	0	0
Retention/ contract monies	0	0
Deposits	0	0
Employee payables	52,763,100	33,952,800
Other payables	0	0
<b>Total</b>	<b>98,671,800</b>	<b>71,311,100</b>

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

**24. Related Party Disclosures**

The County Governments of Kisii and Nyamira are the principal shareholder of the Company, holding 100% of the Company's equity interest. These have provided full guarantees to all long-term lenders of the entity, both domestic and external.

**Other related parties include:**

- a) The Parent Ministry;
- b) Lake Victoria South Water Works Development Agency

**Key management**

- a) Board of directors
- b) Water Services regulatory Board  
Water Resources Authority

**Transactions with related parties**

**Agency Account**

<b>Transactions with related parties</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a) Sales to related parties</b>		
Sales of electricity to Govt agencies	0	0
Rent Income from govt. agencies	0	0
Water sales to Govt. agencies	0	0
Interest income from Govt Commercial Banks	0	0
Interest income from Tbills and Bonds	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>b) Purchases from related parties</b>		
SPA Fee (LVSWWDA)	21,121,800	20,855,100
Regulatory fee (WASREB)	20,559,000	14,920,300
Water abstraction fee (WARMA)	3,232,600	5,128,800
Grants from County Governments	36,001,200	20,016,100
Directors Emoluments	6,039,100	4,609,300
Compensation to Key management staff	3,120,000	3,600,000
Interest expense to investments by other govt. entities	0	0
<b>Total</b>	<b>90,073,700</b>	<b>69,129,600</b>

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

**25. Retirement Benefit Obligations**

The Company contributes to a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by CPF Financial services and LAP fund 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.

**26. Notes to The Statement of Cash Flows**

<b>Notes to The Statement of Cash Flows</b>	<b>2020-2021</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
<b>Profit or loss before tax</b>	<b>8,812,700</b>	<b>(22,557,800)</b>
Depreciation	3,469,500	3,767,600
Amortization	100,400	100,400
Increase in Provision for bad and doubtful debts	4,237,100	
(Gain)/loss on disposal of property, plant and equipment	<b>16,619,700</b>	<b>(18,689,800)</b>
<b>Operating profit/(loss) before working capital changes</b>		
(Increase)/decrease in inventories	(376,600)	1,029,600
(Increase)/decrease in trade and other receivables	(38,133,700)	(20,394,200)
Increase/(decrease) in trade and other payables	27,360,700	31,640,400
Increase/(decrease) in Agency Account	4,009,200	241,500
Increase/(decrease) in provision for staff leave pay	(11,696,400)	0
<b>Cash generated from/(used in) operations</b>	<b>(2,217,100)</b>	<b>(5,340,500)</b>
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	0	0
Receipts during the year	0	0
Repayments during the year	0	0
<b>Balance at end of the year</b>	<b>0</b>	<b>0</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	0	0
Cash at bank	7,234,100	2,147,300
Cash in hand	0	0
<b>Balance at end of the year</b>	<b>7,234,100</b>	<b>2,147,300</b>

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

**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 programme 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.

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2021</b>				
Receivables from exchange transactions	163,348,060	0	0	(16,334,806)
Receivables from non-exchange transactions	0	0	0	0
Bank balances	7,234,073	0	0	0
<b>Total</b>	<b>170,582,133</b>	<b>0</b>	<b>0</b>	<b>(16,334,806)</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	120,977,500	0	0	(12,097,700)
Receivables from non-exchange transactions	0	0	0	0
Bank balances	2,147,300	0	0	0
<b>Total</b>	<b>123,124,800</b>	<b>0</b>	<b>0</b>	<b>(12,097,700)</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the 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.

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

**Credit Risk (Continued)**

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2021</b>				
Trade payables	0	0	98,671,800	<b>98,671,800</b>
Current portion of Customer deposits	0	0	3,900,500	<b>3,900,500</b>
Provisions	0	0	16,334,800	<b>16,334,800</b>
Deferred income	0	0	0	<b>0</b>
Employee benefit obligation	0	0	0	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>118,907,100</b>	<b>118,907,100</b>
<b>At 30 June 2020</b>				
Trade payables	0	0	71,311,100	<b>71,311,100</b>
Current portion of borrowings	0	0	1,605,000	<b>1,605,000</b>
Provisions	0	0	6,134,000	<b>6,134,000</b>
Deferred income	0	0	0	<b>0</b>
Employee benefit obligation	0	0	0	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>79,050,100</b>	<b>79,050,100</b>

**(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.

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

**a) Foreign currency risk**

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

**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:

	2020-2021	2019-2020
	Kshs	Kshs
Ordinary share capital	100,000	100,000
Retained earnings	(28,929,700)	(37,742,400)
Capital reserve	67,053,200	67,053,200
Total funds	38,223,500	29,410,800
Total Customer Deposits	18,366,600	14,466,100
Less: cash and bank balances	7,234,100	(2,147,300)
Net debt/(excess cash and cash equivalents)	25,600,700	12,318,800
Gearing	0.67	0.42

**28. Incorporation**

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

**29. Events After The Reporting Period**

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

**30. Currency**

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

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**APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Variances in opening Balances	The variance of Kshs. 4,244,200 relates to excess liabilities taken over from defunct local authorities.	This is the adjustment that was made in the financial statements under review.	Already resolved.
2	Variances in Transport and Lunch Allowances	The ledger in support of Kshs. 1,002,600 was printed and submitted along with amended financial statements for 2019-2020. Effectively, this was meant to amend and replace the earlier one of Kshs. 1,073,000 as required by the audit team through management letter and draft audit reports for the year under review.	The same schedule is generated and available to resolve	Immediately.
2.1	Variances in Secretarial services	The ledger in support of Kshs. 390,600 was printed and submitted along with amended financial statements for 2019-2020. Effectively, this was meant to amend and replace the earlier one of Kshs. 445,000 as required by the audit team through management letter and	The same schedule is generated and available to resolve	Immediately.

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		draft audit reports for the year under review.		
2.2	Variances in consumables	The ledger in support of Kshs. 403,800 was printed and submitted along with amended financial statements for 2019-2020. Effectively, this was meant to amend and replace the earlier one of Kshs. 365,800 as required by the audit team through management letter and draft audit reports for the year under review.	The same schedule is generated and available to resolve the issue.	Immediately.
3	Unsupported cash and cash Equivalentents	An updated cash book was provided to the audit team with no cash balance as at 30 June 2020, thus, Kshs. 6,700,237 never existed.	The same cash books is generated and available to resolve the issue.	Immediately.
4	Variance in Trade and Other payables		The same schedule is generated and available to resolve the issue.	Immediately.
5	Unreconciled Agency Account	The ledger in support of Kshs. 20,855,100 was printed and submitted along with amended financial statements for 2019-2020. Effectively, this was meant to amend and replace the	The same schedule is generated and available to resolve the issue.	Immediately.

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		earlier one of Kshs. 29,366,100 as required by the audit team through management letter and draft audit reports for the year under review.		
6	Understated Trade and Other Payables	The ledger in support of Kshs. 108,879,800 was printed and submitted along with amended financial statements for 2019-2020. Effectively, this was meant to amend and replace the earlier one of Kshs. 127,738,881 as required by the audit team through management letter and draft audit reports for the year under review.	The same schedule is generated and available to resolve the issue.	Immediately.
7	Variance in Statement of Cash Flows		Not yet	
8	Unreconciled Statement of Comparison of Budget and Actual Amounts	This has been amended in accordance to the Public Sector Accounting Standards Board Requirements	The same schedule is generated and available to resolve the issue.	
9	Variance in Share Capital	Matter to be presented before the Board of Directors for discussion	Not Yet resolved	



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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		and direction.		

Albert Oisebe Onyari  
Managing Director

Signature 

Date: 16/08/2022

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

**Projects**

No project was implemented in the financial year 2021/2022

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**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>			
<b>Break down of Transfers from the County Government FY 2020/21</b>			
<b>a. Recurrent Grants</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Period</b>
	Paid direct to Kenya Power	<b>36,001,183.40</b>	
	<b>Total</b>	<b>36,001,183.40</b>	2020/2021
<b>b. Development Grants</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Period</b>
	<b>Total</b>	0	
<b>c. Direct Payments</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Period</b>
<b>d. Donor Receipts</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>Period</b>
		0	
	<b>Total</b>	<b>36,001,183.40</b>	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager  
 Gusii Water

Head of Accounting Unit  
 Kisii County

Head of Accounting Unit  
 Nyamira County

Sign \_\_\_\_\_



Sign \_\_\_\_\_

Sign \_\_\_\_\_



**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

No transfer from other government units were received during the financial year

