

REPUBLIC OF KENYA

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NAIROBI

Ref: OAG/HBRO/GUWASCO/2023/2024/(16)

31 December, 2024

Mr. Jacob Onkeo
Ag. Clerk of Kisii County Assembly
P.O. Box 4552-40200
KISII

Dear Sir

REPORTS OF THE AUDITOR-GENERAL ON GUSII WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

I transmit the reports of the Auditor-General on the examination and audit of Gusii Water and Sanitation Company Limited for the year ended 30 June, 2024 in accordance with the provisions of Article 229(7) of the Constitution of Kenya for your necessary action as required by Article 229(8) of the Constitution.

Yours sincerely

FCPA Edwin Kamar
For: AUDITOR-GENERAL

Copy to: **Dr. Chris Kiptoo, CBS**
Principal Secretary
National Treasury
P. O. Box 30007-00100
NAIROBI

Mr. Jeremiah Nyengenyne, CBS
Clerk to the Senate
P. O. Box 41842-00100
NAIROBI

Hon. Kennedy Abincha
CECM - Finance and Economic Planning
County Executive of Kisii
P.O. Box 4550-40200
KISII

Ms Lucy Wachira
Managing Director
Gusii Water and Sanitation Company Limited
P. O. Box 3880-40200
KISII



REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**GUSII WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**



GUSII WATER AND SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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



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1. ACRONYMS AND GLOSSARY OF TERMS

The following are Acronyms and glossary of terms that appear in this annual report and financial statements.

ICPAK	-	Institute of Certified Public Accountants of Kenya
IFRS	-	International Financial Reporting Standards
MD	-	Managing Director
PFM	-	Public Financial Management
PSASB	-	Public Sector Accounting Standards Board
WASREB	-	Water Services Regulatory Board
GWASCO	-	Gusii Water and Sanitation Company Ltd
SPA	-	Service Provision Agreement
ECM	-	Executive Committee Member



2. KEY ENTITY INFORMATION

Background information

The Gusii Water and Sanitation Company Limited is a Water Service Provider established as limited liability Company under the Companies Act Cap 486 laws of Kenya on 12th June 2006 and the Water Act 2002. The Company commenced business on 1st August 2006 and operated as an agent of Lake Victoria South Water Services Board when the company signed a Service Provision Agreement (SPA) under the defunct Municipal Councils and county councils in Kisii and Nyamira.

This law was repealed by the Water 2016 operationalized in April 2017. The Act primarily aligned the water sector to the devolved structure of Government enshrined in the New Constitution of Kenya, 2010, The Company is wholly owned by the County Governments of Kisii and Nyamira by 68% and 32% shares respectively.

At County level, the Company is represented by the County Executive Committee Member responsible for Environment, Water and Sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the sector. Gwasco as a key player derives immense benefits from the strategic direction and long-term vision for all institutions in water the sector set by the Ministry.

The Gusii Water and Sanitation Company Ltd is domiciled in Kenya and is licensed by Water Services Regulatory Board (WASREB) in line with the Water Act 2016 to provide water and sanitation services in larger Gusii (Kisii and Nyamira) with an approximate area of 1,974 km². The service area jurisdiction includes 7 No. schemes in Kisii County namely Kegati, Nyakomisaro, Gesusu, Ogembo, Keumbu, Tabaka and Birongo and 1No. Wastewater Treatment Plant at Suneka and 4 Number schemes in Nyamira County namely; Nyamira, Keroka (Nyangori), Nyansiongo, and Ikonge.

According to the 2019 Kenya Population and Housing Census the population for Kisii county was 1,266,860. The population density is 958 people per Km² with an annual growth rate of 2.75% while population for Nyamira County was 605,576 with a population density of 675 people per Km² and an annual growth rate of 2.4%, resulting to a combined population total of 1,872,436.

Principal Activities

In accordance with Section 78 (1) of the Water Act 2016, the responsibilities and mandate of Gusii Water and Sanitation Company Ltd as a water service provider include:

- a) Provision of water services within the area specified in the license
- b) Development of County assets for water service provision.

This is further expounded by the Memorandum and Articles of Association which states the objects for which the company is established and include:

- a) To carry on the business of a Water Services Provider, as defined by the Water Act 2016

Gusii Water and Sanitation Company Ltd
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- 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.
- f) To acquire for its own use water pumps, engines, tanks, pipes and any other equipment and chemicals that may be deemed necessary for and connected to the carrying out of the said business of the company.
- g) To be responsible for the treatment and disposal of sewage within the area of the county governments by such times and locations as the company may deem appropriate.

The Company developed its strategic plan for the period 2023-2028 designed to tap into the potential that exists within its seven schemes in Kisii County and four in Nyamira County to address issues of water and sanitation. The main objectives in the (2023-2028) Strategic blue print was the realization of the following four strategic priorities that formed the core focus:

- a) Enhanced Coverage
- b) Institutional Capacity Strengthening
- c) Financial Sustainability
- d) Corporate Culture Change and Brand improvement

The Vision

A sustainable and accessible safe water and sanitation service provider.

The Mission

To innovatively provide safe water and sanitation services to meet the expectations of our stakeholders.

The Core Values

- 🌐 **Integrity:** Commitment to demonstrate honesty, transparency and respect in delivering services to customers under all circumstances.
- 🌐 **Professionalism:** Commitment to execute our duties with excellence and in line with sector standards
- 🌐 **Teamwork:** Commitment to work as a team and collaborate to synergize our strengths in the fulfilment of our duties
- 🌐 **Innovation:** Commitment to embrace new but appropriate ideas to improve our systems, processes and procedures in delivering services to our customers
- 🌐 **Customer Focus:** Always thinking first of the customer's needs and expectations
- 🌐 **Equity:** To embrace the principles of fairness and justice in the treatment of customers.
- 🌐 **Gender Responsiveness:** Always addressing the different needs and priorities of all persons regardless of their sex to ensure that all staff are equally valued.



Directors

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

1. Mr. David O. Obure	Chairman	Appointed on 27 th September 2022
2. Mr. Charles N. Moturi	Director	Appointed on 27 th September 2022
3. Ms. Jemimah M. Mosegere	Director	Appointed on 27 th September 2022
4. Mr. Isabella N. Lumumba	Director	Appointed on 27 th September 2022
5. Mr. Saboke O. Kiboma	Director	Appointed on 27 th September 2022
6. Mrs. Leah Bwari Ogega	Director	Appointed on 1 st July 2023
7. Mr. Kennedy Okemwa Abincha	Director	Appointed on 27 th September 2022
8. Dr. John Matiang'i	Director	Appointed on 27 th September 2022
9. Dr. Geoffrey Morara	Director	Appointed on 1 st July 2023

Company Secretary

The Company has not appointed a Company Secretary. The Managing Director is managing the Board affairs as a Secretary to the Board of Directors.

Registered Office

Gusii Water & Sanitation Company Ltd.
P.O. Box 3880 - 40200
Bobaracho Main Office
Kisii-Keroka Highway
Kisii, Kenya

Independent Auditors

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

Corporate Headquarters

Gusii Water & Sanitation Co. Ltd.
Bobaracho Main Office
Kisii-Keroka Highway
Kisii, Kenya

Principal Legal Advisers

Nchogu, Omwanza & Company Advocates
Commissioner for Oaths and Notary Public
P.O.Box 4045-00200
Tel. 0732312183
Nairobi, Kenya

Corporate Contacts

Telephone: (+254) 798754178
Email: info@gwasco.co.ke
Website: www.gwasco.co.ke

Corporate Bankers

Kenya Commercial Bank Ltd
Co-operative Bank of Kenya Ltd

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3. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 David Ogega Obure	Mr. David O. Obure (62 years) joined the Board of Directors of the company on 29th June 2021, he is the Chairman of the Board. He holds a Bachelor of Commerce and Masters in Personnel Management. He represents Professional Associations in the Board.
2.	 Charles N. Moturi	Mr. Charles Nemwel Moturi (67 years) joined the Board of the company on 29 th June 2021 and was appointed the chairman Technical Board Committee. He holds BBA of purchasing and supplies. He represents Chamber of Commerce.
3.	 Lucy Wachira	Lucy Wachira is the Managing Director. She holds MBA in Strategic Management, Bachelor in Business Administration and a Diploma in Business Administration
4.	 Saboke O Kiboma	Mr. Saboke Obadiah Kiboma (69 years) joined the Board of Gwasco on 29 th June 2023 and was appointed the Chairman Finance, HR and Admin. Committee. He holds Bachelor of Education. He represents Water Users Association in the Board.
5.	 Isabella M Lumumba	M/S Isabella Lumumba (57 years) joined the Board of GWASCO on 29 th June 2021 she holds BA of Education & Masters in Project Management. She represents community Based Organizations/Non-Governmental Organizations in the Board.
6.		M/S Jemima Moraa Mosegere (50 Years) joined the board of the company on 29 th June 2021. She is the Chair Audit Board Committee. She holds a Bachelor of Arts and



Jemimah Moraa

Masters. She represents Institution and Gender in the Board.

7.



Dr. Geoffrey Morara is the ECM Finance, ICT and Economic Planning in Nyamira County Government.

Dr. Geoffrey Morara Nyakoe

8.



Mr. John Matiang'i is the CECM for Environment Water Energy Mining and Natural Resources, Nyamira County. Prior to his appointment as CECM, he worked as a deputy director of education in the Ministry of Education, as a Trustee at the Public Service Superannuation Scheme (PSSS) in the National Treasury and Planning, National Treasurer and Branch Executive Secretary at Kenya National Union of Teachers.

John Matiang'i

9.



Mrs. Leah Bwari Ogega is the CECM for Water, Environment, Natural Resources and Climate Change, Kisii County.

Mrs. Leah Bwari Ogega

10.



Mr. Kennedy Okemwa Abincha is the ECM Finance and Economic Planning in Kisii County Government.

Mr. Kennedy Okemwa Abincha



4. KEY MANAGEMENT TEAM

Managers	Details
 Lucy Wahito	Managing Director MBA – Strategic Management, Bachelor in Business Administration, Diploma in Business Administration
 Eng. Dominic Ayora	Technical Manager BSC Civil Engineering, P.E
 Stephen Bosire Rosana	Human Resource Manager Bachelor Degree in Planning and Management, Higher Diploma in Human Resource Management, Degree in Human Resources, Masters ongoing
 Boyani Ong'era	Commercial Manager Brand Management Retail and Masters in Management and Organizational Development (USIU-A)
 Paul Nyasing'a Maragia	Internal Auditor BCOM (Accounting Option) CPA (K)
 CPA Jared Atemba Rasugu	Finance Manager B.COM CPA (K)
 Wilfred Marita Onsomu	Procurement Manager MBA, PSCM, BBA & Mgt, DSM, MKISM



5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am delighted to present to you the Company's annual report and financial statements for the year ended 30 June, 2024. This year was transformative as it marked both challenges and opportunities. The reviewed 2023-2028 strategic plan aims at mitigating against these challenges for improved service delivery.

Brief highlight of the key activities during the year

Financial performance

The Company financial performance reflected resilience and adaptability despite economic environment where we continued to sustain growth and sustained growth through reduction of NRW from 65% to 59%. This has positively impacted revenue improvement to an average of 20 million.

The Company recorded sales for the year 2023-2024 amounting to Kshs. 228,317,433 against Kshs. 217,775,365 for the year 2022-2023 representing 4.84% increase. The increase in sales turnover was purely as result of internal growth within the service provision area. In the performance of the water services sector, the company was ranked at position number 52 from position number 88 the previous year marking a significant improvement in performance. This is a good trajectory positioning the company on improvement of service delivery.

Successes consolidated over the year

The company continued to foster strategic partnership with The Western Kenya Water Project, WSTF and through their support we have seen service coverage in Kiogoro Water Project, Keumbu through WKWP, Nyamira Sanitation Project which has enhanced both water and sanitation coverage. Equally the company benefitted through WKWP in capacity building aimed at institutional capacity strengthening. All these are in line with our strategic plan 2023-2028. In addition, the company reviewed strategic plan and the business plan. On Policy and Governance, the project works with county governments and sector stakeholders to strengthen sector governance and improve coordination between county governments and GWASCO. This is crucial for effective devolved sector governance where the company falls.

Challenges being faced by the Company

Consequently, the Company aims to increase water use efficiency while ensuring there exists fresh water supplies. Nevertheless, Non-Revenue Water remains the greatest impediment in guaranteeing water use efficiency is achieved.

Through the Ministry of Water, Sanitation and Irrigation and the water sector regulator WASREB, the Company continues to institute measures and sustainably implement the NRW management and reduction plan issued and reduce NRW from 65% to a manageable level of 45%. Gwasco further commits to observe and implement other key performance indicators as guided by the regulator.

The way forward or outlook for the Company

The Company adheres to the highest standards of corporate governance and business ethics across our businesses and service area in order to safeguard the interests of our customers and stakeholders, and to ensure long-term shareholders' value creation.

In this regard, the Company has enhanced its Board Operations for directors and senior management to attract and retain the right talent to successfully manage and drive the

Gusii Water and Sanitation Company Ltd

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Company's long-term objectives. The Board will continually articulate, implement and review the adequacy and effectiveness of GWASCO's water safety plan, disaster and risk management and internal control procedures in line with Corporate Governance guidelines to manage our risks and opportunities and promote meaningful engagement with our stakeholders.

In conclusion, I wish to express my earnest appreciation to all our valued stakeholders for their continued support, mutual trust and utmost confidence in the Company.

My sincere gratitude to the management and staff at all levels for their invaluable contributions, commitments, devotion, and hard work. In working together, there existed Company business sustainability as well as enhancing their career path with the Company. I am very poised that with their enduring commitment, determination, right attitude and teamwork, the Company will be able to realize its Vision, Mission, and Core Values as highlighted in the company strategic plan for the period 2023-2028.

The Board and I wish to express our indebtedness to the County Governments of Kisii and Nyamira for the steadfast and unwavering commitment and support to the company operations. Finally, I wish to register my solemn gratitude to my fellow members of the Board for their massive contributions, wise guidance and assurance in the direction of the Company.

Signature:

David Obure

Chairperson

13 December, 2024



6. REPORT OF THE MANAGING DIRECTOR

I am pleased to present the Company's financial results for the year ended 30 June, 2024. The Water sector business environment is dynamic, but with predictable regulatory environment the Company remained resilient amid a tough operating environment. The Company stakeholders came together and emerged stronger, more united and readier to transform our business in line with our vision to be a sustainable and accessible safe water and sanitation service provider. Much has been done and our focus in 2023-2024 was about implementation of the new strategic direction.

Brief highlight of the key activities during the year

Financial performance

The Company financial performance reflected resilience and adaptability despite economic environment where we continued to sustain growth and sustained growth through reduction of NRW from 65% to 58%. This has positively impacted revenue improvement by Kshs. 10,542,063

The Company recorded sales for the year 2023-2024 amounting to Kshs. 228,317,433 against Kshs. 217,775,365 for the year 2022-2023 representing 4.84% increase. The increase in sales turnover was purely as result of internal growth within the service provision area. In the performance of the water services sector, the company was ranked at position number 52 from position number 88 the previous year marking a significant improvement in performance. This is a good trajectory positioning the company on improvement of service

Quality of service

The expansion of water network in Kiogoro, Nyamataro, Nyamira, and Ogembo aimed at enhanced water coverage by improving water connectivity. A total of 6.9 Km has been completed in Kiogoro and a public sanitation facility component in Nyamira almost complete to ensure enhanced sanitation services. To enhance drinking water quality, bacteriological tests and residual chlorine which stands at 94% continued to be observed in accordance to the best industry practices in the treatment process and safe disposal of fecal matter in our sewerage system. The company improved hours of supply from 18 to 21 hours per day due to expanded capacity at Kegati treatment works from 8,000 cubic meters per day to 27,000 cubic meters per day and at Nyamira treatment works from 800 cubic meters to 3,200 cubic meters per day which ensures availability of water and sanitation services to meet increased demand.

Successes consolidated over the year

Economic efficiency

The company managed personnel related expenses to ensure they are proportionate to the Operation and Maintenance costs by continued engagement of more proactive team of staff in technical, ICT and commercial finance divisions. To ensure financial sustainability, we enhanced our efforts toward increasing internally generated funds for billing services which improved from Kshs. 217,775,365 for the year 2022-2023 to 228,317,433 in the year 2023-2024 representing 4.84% increase to meet the company's operation and maintenance costs. With sustained efforts the company's collection from billable services improved with

Gusii Water and Sanitation Company Ltd**Annual Report and Financial Statements for the year ended June 30, 2024**

corresponding revenue billing. In spite of inherent challenges, the improved collection efficiency from these operations safeguarded the Company's commitment to meet outstanding obligations as and when they fell due.

Operational sustainability

The company Water losses emerging from apparent and real losses threatened sustainability of the company. We continued to adequately measure and evaluate the efficiency of our operations through the Non-Revenue Water Management unit to support in its reduction. Staff in employment for every 1000 connections remained at 10 owing to factors such as the utility being cross-county, the nature of human settlement in our service area (the distances between connections and number of towns served namely Kisii town and its environs, Kegati, Keumbu, Ogembo, Tabaka, Keroka, Gesusu, Nyansiongo, Nyangori and Nyamira town and its environs), skills mix, and that the Company provides water and sewerage services together. Finally, metering ratio for the company continued to improve which now stands at 96%.

Challenges being faced by the Company

The company is faced with perennial challenges stemming from the following perspectives:

Water Losses

The company encountered abnormal Non-revenue Water losses emerging from Commercial (Apparent Losses) which include Unauthorized Consumption, Customer Metering Inaccuracies and Data Handling Errors; and Physical (Real Losses) which include Leakages on transmission and/or distribution Mains, Leakage and overflows at utility's storage tanks, and Leakage on service connections up to point of customer metering.

High O&M costs

This results from Aging infrastructure and Vandalism of network infrastructure

The way forward or outlook for the Company

Rehabilitation of old lines, creation of a taskforce to deal with illegal connections, stock materials for prompt repair, controlling water flow to manage pressure, replacement of invisible and unfunctional meters. Train on meter installation, introduce water marks on pipe network, conducting customer survey on all the unread accounts. ensure procured materials meet the recommended standards, impose fines on illegal activities, encouraging actual billing, metering all the accounts with water connections.

Signature:

Lucy Wahito Wachira

Managing Director/Secretary to the Board

13 December, 2024



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2023-2024

The Company has 4 strategic priorities and objectives within the current Strategic Plan for the financial year 2023-2024. These strategic pillars/ themes/ issues are as follows:

1. Enhanced coverage
2. Institutional capacity building
3. Financial sustainability
4. Corporate culture changes and brand improvement

The Company develops its annual work plans based on the above 4 priorities. 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 financial year 2023-2024 period for its four strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Enhanced coverage	Increase water coverage from 40% to 50%	Expansion of water supplies to unserved areas	Undertake pre-feasibility and feasibility studies of the unserved areas	41%
		Expansion of water services to underserved areas	Undertake planning and design for Last Mile Connectivity (LCM)	41%
		Ensure conservation of water catchment areas	Develop a collaborative framework with relevant government agencies	50%
		Rehabilitate water supply production facilities for 9 schemes	Develop a maintenance plan for all facilities	50%
2. Institutional capacity building	Strengthen institutional capacity by 60%	Ensure good corporate governance	Develop Annual Board Charter compliance and legal adherence	60%
		Enhance human capacity	Sensitization of all staff on the strategic plan	70%

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		Enhance internal efficiencies	Implement ERP (Enterprise Resource Relationship Management)	65%
		Improve institutional visibility	Undertake CSR activities within communities	45%
		Undertake corporate planning and performance management	Develop the company strategic Plan 2023-27	100%
3. Financial sustainability	Ensure company financial sustainability by mobilizing Kshs. 3.12 billion by 2028	Improve revenue collection from 84% to 100% of the total billed Increase operation and maintenance coverage to 110% Ensure prudent financial planning and management Enhance internal controls	Undertake customer segmentation Ensure Personnel expenditure is less than 20% of O&M Develop a corporate Risk Register	50%
		Reduce Non-Revenue water from 60% to 45% Reduce account receivable by 25%	Implement WASREB NRW standards of June 2022	58%
		Enhance resource mobilisation	Develop concept notes and funding proposals for high impact projects	25%
4. Corporate culture change and brand improvement	Realize a customer satisfaction index of 70%		Undertake customer satisfaction survey	20%



8. CORPORATE GOVERNANCE STATEMENT

The Board regularly reviews and assesses the governance structures that apply to Gusii Water and Sanitation Company Ltd to ensure they are consistent, both in form and in substance, with best practice. The Board considers that the Company is substantially in compliance with the Wasreb Corporate governance guidelines and the Mwongozo Code issued by the State Corporation Advisory Committee.

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 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.

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 considering Articles and Memorandum of Association, diversity of skills, age, value addition, and 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 is a Non-Executive Director. None of the Directors of our Company are inter-related to each other.

Board governance

a. Process of appointment and removal of directors

Board appointments is a transparent and competitive process to ensure the public served has an opportunity to participate in decision-making in-service delivery directly affecting them. Vacant positions are advertised in the media and on the website of the Company and the criteria set out by WASREB is be used. An ad hoc nominating committee of the board of directors comprising county and select committee from two or three primary/key stakeholders assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the Company. The select committee receives the applications, vet them to ensure that they comply with the Fit and Proper Test plus the eligibility criteria and ultimately conduct interviews. The Report of the selection committee shall be submitted to the shareholder who is required as shareholder and function owner to ensure that only persons who add value to the company are appointed. A letter of appointment issued by the county secretary that adheres to the articles of association of the Company is given after ratification of names of the accepted directors at annual general meeting by the shareholders.



b. Roles and functions of the board

The Board is responsible for the supervision of the business and affairs of the Company and the monitoring of the performance of the Company on behalf of shareholders. The Board also places emphasis on regulatory compliance. The Board is responsible for directing the Company and enhancing its value for shareholders. It has adopted a formal Corporate Governance Code that details the Board's role, responsibilities, membership and operation. Responsibility for the day-to-day management of the Company has been delegated to the Managing Director (MD) and her management team. A key responsibility of the Board is its oversight of senior management and, in this regard, all Company core management team are subject to annual performance reviews and goal planning. In addition, the Board monitors the performance of the MD against the Board's requirements and expectations. The Board is structured to bring to its deliberations a range of experience relevant to the Company's operations. The following are the 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 in accordance with the Service Provision Agreement.
6. Devote sufficient time to their responsibilities.
7. Have a performance management and appraisal system in place.
8. Map out communication strategy for internal and external liaisons to include at least one public forum in its area of supply.
9. Embark on benchmarking with other GWASCOs to constantly monitor management performance and the financial progress of the company.
10. Evaluate its own performance at least once every year based on the Service Provision Agreement.
11. Ensure that the company is properly managed and for the attainment of lawful objectives.
12. Ensure that the company's affairs are not managed or conducted in a manner oppressive to any of its shareholders or for fraudulent purposes.
13. Ensure that the company complies with all statutory requirements, including directives issued by WASREB.

c. Board charter

There is an existing board charter during the year under review.

d. Succession plan

The Company has a succession plan where all Board members do not retire at the same time. 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.



e. Induction and training

The Company conducts induction and training program on every new Board of Directors appointed to provide insight and capacity to steer the Company's operations.

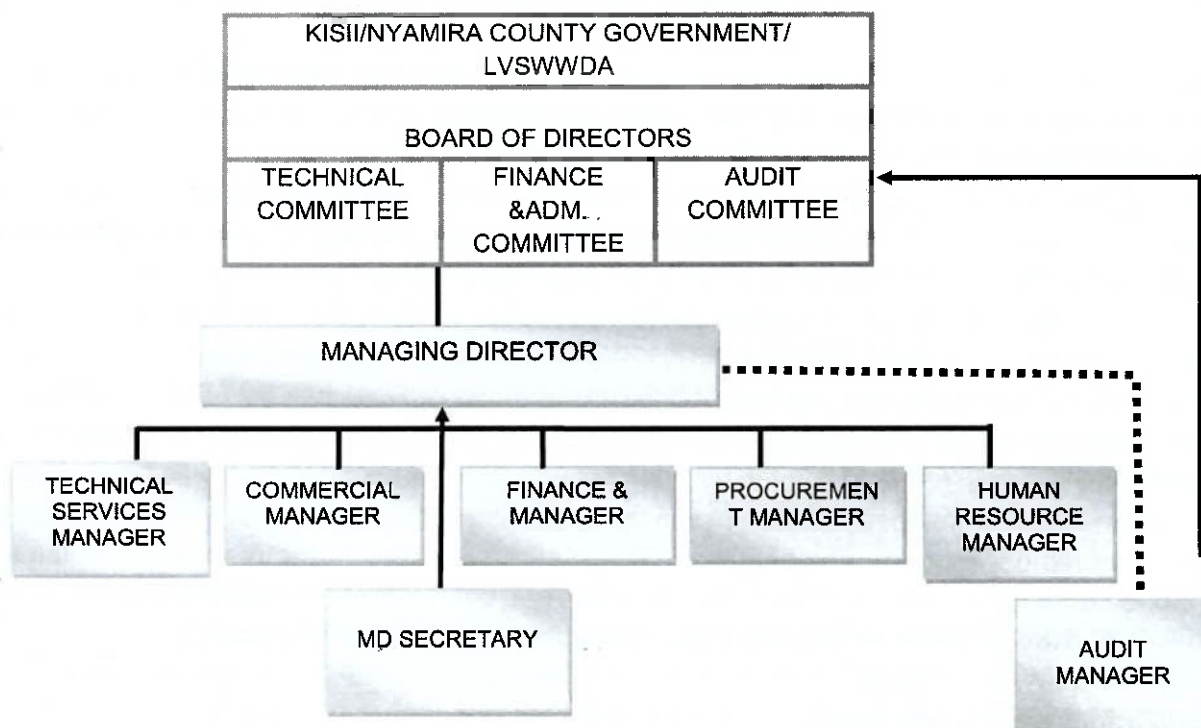
f. Board remuneration

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 as per WASREB guidelines. Furthermore, Chairman is paid a monthly honorarium.

g. Governance 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. Governance audit was conducted by Water Services Regulatory Board in November 2022.

Governance structure



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9. MANAGEMENT DISCUSSION AND ANALYSIS

The financial statements comprise two components:

a) Financial performance

Operating Revenue increased by KShs 10,542,063, from KShs 217,775,370 in 2023 to KShs 228,317,433 for the year ended 30th June 2024. Increase is primarily attributable to the enhanced operational efficiency in our new billing system that was installed in February 2023, which contributed to a 5% increase in operating revenue. Our revenue comprised of the following sources:

	Note	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
		Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Operating Revenue	6	228,317,433	217,775,370	190,644,280	153,408,600	129,112,400
Grants Income	7	20,100,701	38,246,530	91,986,550	36,001,200	20,291,700
In-Kind Contributions		-	-	-	-	-
Other Income	8	8,571,636	13,581,030	13,606,320	26,163,400	6,048,300
Total Revenue		256,989,769	269,602,930	296,237,150	215,573,200	155,452,400

b) Operational performance

A further analysis is made on the following

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.

a. Operational and financial performance for the last three to five-year period

The Company undertook extension of the water intakes at Nyangori, Kegati and Nyamira water works during the last five-year period. As a result of Rehabilitation and Expansion of the treatment works and distribution network, there has been an increase in production in Kisii and Nyamira.

As outlined in the Company strategic plan to increase connectivity from 37% to 47% and due to expanded network, the company has witnessed an increase in the number of customers whose demand for water and sanitation services has been indicated as shown below:

b. Key projects or investments decision implemented or ongoing

With the existing capacity of treatment works after the project was improved standing at 27,000m³/day, the total population served in the service currently served in the service area and last mile connectivity is estimated at 210,000 persons. The company has been funded by WSTF to undertake Kiogoro Water Project in Kisii County and Kebirigo Public Sanitation Facility in Nyamira County.

c. Compliance with statutory requirements



The Company has constantly complied with statutory requirements as laid down by the Government of Kenya. Statutory returns are timely submitted like the NSSF, NHIF and Pay as You Earn. Contributions to Pension schemes are timely.

d. Major risks facing the organisation

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

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.

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.

e. Material arrears in statutory and other financial obligations

No matter involve financial probity has been reported in the period under review.

The company remains a key service provider of water and sanitation services to its customers towards the realization of universal human basic right on access to safe water and sanitation within its jurisdiction as envisioned in SDG 6, vision 2030 and Constitution of Kenya 2010.

Sustainable Development Goal 6

As a socially conscious individual, the Company shares the dream of a world where everyone has access to clean water and basic sanitation. Lack of clean water and sanitation leads to numerous health issues, such as diarrhea diseases, which claim the lives of many people.



10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The purpose of Environmental and Sustainability strategy is to outline our commitment to reducing Sewage discharges and reducing our wastewater footprint, both within our organization, and in the service area we deliver. This focuses on environmental sustainability but will form part of a broader Corporate Social Responsibility Policy which will also cover legal compliance, business ethics and human rights, including Policies such as Equity, Diversity and Inclusion. We are increasing environmental awareness across our organization with this strategy and plan to embed Wastewater, Sewage, Sanitation and zero-waste practices in our everyday business.

We undertake to communicate this strategy to all our stakeholders, including clients, suppliers, and staff. Moreover, this will be done to enable them to work with us in achieving our ambitions in this fundamental area.

Our 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. The core values guiding GWASCO are:

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

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 financial perspective, Customer Perspective, Internal (process) perspective and Learning and growth perspective. 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.

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 resorted to public awareness initiatives on proper waste management. Lobby for environmental protection, and adopt climate change adaptation and coping mechanisms

3. Employee welfare

The company has an existing human resources policy guiding staff management. It is also in the process of developing policy on safety and compliance as per Occupational Safety and Health Act of 2007, (OSHA).

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 some level diseases caused by contaminated water.



11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2024 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 company for the year ended 30 June, 2024 are set out on page 1-58. Below is summary of the profit or loss made during the year.

		(Restated)	
	2023-2024	2022-2023	2022-2023
	Kshs.	Kshs.	
Loss Before Taxation	(66,179,696)	5,767,200	5,296,250
Income Tax Expense	-	-	-
Loss for the year	(66,179,696)	5,767,200	5,296,250

iii) Dividends

The company has not declared dividends for the year ended 30 June, 2024.

iv) Directors

The members of the Board of Directors who served during the year are shown on page (v) in accordance with Regulation 68 of the company's Articles of Association.

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 to carry out the audit of the Company for the year ended 30 June, 2024, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to audit.

By Order of the Board

Signature:

Lucy Wahito Wachira
 Managing Director/Secretary to the Board
 13 December, 2024



12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012, The Companies Act 2015 and Section 129 of the Water Act 2016 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on 30 June, 2024. This responsibility includes:

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

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

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended 30 June, 2024, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

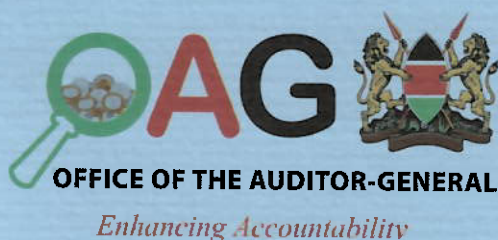
The Company's financial statements were approved by the Board on **13 December, 2024** and signed on its behalf by:

David Obure
Chairman
13 December, 2024

Lucy Wahito Wachira
Managing Director
13 December, 2024

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON GUSII WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Gusii Water and Sanitation Company Limited set out on pages 1 to 51 which comprise the statement of financial

Report of the Auditor General on Gusii Water and Sanitation Company Limited for the Year Ended 30 June 2024

position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Gusii Water and Sanitation Company Limited as at 30 June, 2024, 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

1.0 Accuracy of The Statement of Cashflows

The statement of cash flows reflects Kshs.43,484,514 in respect to cash and cash equivalents at the beginning of the year. However, the audited financial statements for 2022-2023 reflects Kshs.43,737,350 on the same resulting to unreconciled variance of Kshs.252,836. In addition, the statement of cash flows reflects Kshs.15,282,516 in respect to cash and cash equivalent at the end of the year which differs with bank and cash balances of Kshs.15,443,560 in the statement of financial position resulting to unreconciled variance of Kshs.161,044.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2024 could not be confirmed.

2.0 Accuracy of Customer Deposits

The statement of financial position and as disclosed in note 24 to the financial statements reflects customer deposits balance of Kshs.29,715,363 which represents amounts deposited by customers for new water meter paid upon connections. These funds are retained in the company's deposit account with Kenya Commercial Bank Limited. However, review of supporting documents provided for audit revealed that the balance of Kshs.29,715,363 differs with closing balance of Kshs.13,060,658 reflected in the deposits account bank statement, resulting to an unexplained variance of Kshs.16,654,705.

In the circumstances, the accuracy of the Kshs. 29,715,363 could not be confirmed.

3.0 Accuracy of Cash and Cash Equivalents

The statement of financial position as at 30 June 2024 reflects a balance of Kshs. 17,595,498 in respect of cash and cash equivalents and as disclosed in Note 18 to the

Report of the Auditor General on Gusii Water and Sanitation Company Limited for the Year Ended 30 June 2024

financial statements. However, review of cash book, bank reconciliation and bank statement provided for audit revealed that KCB revenue account number 1106368436 cash book has been overdrawn by Kshs.2,312,982.31 but reflected as Kshs.2,151,938 balance in the financial statements. The resultant variance was however not explained.

In the circumstances, the accuracy of the Kshs.15,443,560 cash and cash equivalents balance as at 30 June, 2024 could not be confirmed.

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

Emphasis of Matter

1.0 Budgetary Control and Performance

1.1 Revenue analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2024 reflects budgeted receipts of Kshs.506,425,522 and actual receipts of Kshs.256,989,769 resulting to a revenue shortfall of Kshs.249,435,753 or 49%.

In overall, the water company failed to meet its target revenue by Kshs.249,425,753 an indication of weak budget planning process. There is need for the company to relook at its budget making process with a view to planning a realistic budget to achieve its intended objectives

1.2 Expenditure analysis

The statement of comparison of budget and actual amounts reflects a recurrent expenditure budget of Kshs.354,525,771 and an actual expenditure of Kshs.323,269,958 resulting to a net under expenditure of Kshs.31,255,813 (9%). In addition, the same statement reflects a capital expenditure budget of Kshs.151,899,752 and an actual capital expenditure of Kshs.3,125,442 resulting to a net under expenditure of Kshs.148,764,310(98%)

In overall, the Company under absorbed its budget by Kshs.180,020,122 (36%) of the total budget allocation. This may have impacted adversely on service delivery of the company. There is need therefore for the management to re-look at its budgeting mechanism with a view to focusing on areas which will improve service delivery to the stakeholders.

2.0 Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs66,280,188. (Kshs.5,296,250 profits in 2022-2023). The statement also reflects operating expenses of Kshs.323,269,958 (Kshs.264,306,680 in 2022-2023) indicating a loss-making trend.

In addition, the current liabilities of Kshs.198,266,484 as at 30 June, 2024 exceeded the current assets of Kshs.159,346,810 resulting into a negative working capital of Kshs.38,919,674. The Water Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the County Government and its creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion Concern section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Non-Revenue Water

The statement of profit and loss and other comprehensive income reflects operating revenue of Kshs.228,317,433 as disclosed in Note 6 to the financial statements. Included in the balance is Kshs.149,285,051 in respect of water sales. Records provided for review indicated that the Company produced a total of 3,785,933 cubic meters (M³) of water during the year under review out of which 1,545,478 cubic meters (M³) of water was billed to customers for Kshs.149,285,051.45 while the balance of 2,240,455 cubic meters (M³) or approximately 59.2 % of the total volume of water produced represents non-revenue water. This is contrary to WASREB guidelines which sets the acceptable level of non-revenue water at 25% of the total water production. Management has not explained the measures which have been put in place to control the losses.

2.0 Unresolved Prior Year Matters

There were issues raised in the audit report for 2022/2023 financial year. However, no report or recommendations from the Management and oversight bodies was submitted for audit verification and clearance. The issues therefore remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers in respect of the entity concerned to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Directors are responsible for the other information, which comprises the chairman's statement, report of the managing director, statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of the directors and statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Long Outstanding Audit Fees

The statement of financial position and as disclosed in Note 23 to the financial statements reflects Kshs. 96,471,152 in respect to trade and other payables. Included in the Kshs. 96,471,152 is Kshs. 5,809,200 accrued audit fees payable to the office of the Auditor-General which has however remained unpaid. Although management has created a provision of Kshs.446,600 in the year under review, this is still contrary to Section 41 (1)(c) of the Public Audit Act, 2015 which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

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

2.0 Failure to Comply with Fiscal Responsibility Principles on Wage Bill

The statement of profit and loss and other comprehensive income and as disclosed in Note 9 to the financial statements for the year ended 30 June, 2024 reflects Kshs.108,454,746 in respect of staff costs. The Kshs.108,454,746 translates to forty two percent (42%) of the total revenue of Kshs.256, 989,769 contrary to Section 25 (1)(a) and (b) of the Public Finance Management (County Government) Regulations, 2015 which stipulates that county governments expenditure on wages and benefits for its public officers shall not exceed thirty-five percent of the county government entity total revenue.

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

3.0 Long Outstanding Retirement Benefits Obligations

The statement of financial position and as disclosed in Note 22 of the financial statements reflects Kshs.38,105,640 in respect of retirement benefits obligations. Review of documents provided for audit review revealed that the obligations had accrued from the year 2016 and management has not outlined significant steps taken to ensure the obligations are cleared.

In the circumstances, the Company is exposed to litigations and the regularity of the Kshs.38,105,640 could not be confirmed.

4.0 Fees and Fines

The statement of profit or loss and other comprehensive income reflects Kshs. 188,915,410 in respect to general and operational expenses which further includes Kshs.5,351,490 in respect to fees and fines. The amount related to payments to various advocates for legal services rendered and costs related to enforcement of judgments through auctioneers. However, there was no opinion and letter of no objection for engagement of private legal firms by either the designated principal legal advisor or the County attorney who is indicated in the annual report and financial statements as the principal legal advisor.

In the circumstances, the regularity of the Kshs. 5,351,490 during the year under review could not be confirmed.

5.0 Lack of Approved Tariffs

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects total operating income of Kshs.228,317,433. However, the audit revealed that the company was billing customers using tariffs that expired in the financial year 2020/2021. No evidence was provided of any tariff review request which has been forwarded to the Water Services Regulatory Board (WASREB) in seeking approval.

Consequently, the lawfulness of the tariffs applied in billing customers' accounts could not be confirmed.

6.0 Regularity of Imprest Management

Review of payment records revealed that Kshs. 1,633,200 cash was advanced to staff for various assignments during the year under review. The imprest was however not recorded in the imprest register as the management did not use the imprest issuance and accountability process where imprest warrants is raised with details including staff name, date of issuance, staff number, imprest warrant number and due date for ease of managing and controlling of imprest amount recorded thus making it difficult to determine the actual date for surrendering the imprest. In addition, the imprest was expensed at source instead of charging the below the line accounts and charging respective expenditure accounts on surrender hence casting doubt on whether the imprest was

properly and promptly surrendered contrary to Regulation 91(1), and Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which require a holder of a temporary imprest to account for or surrender the imprest within seven (7) working days after returning to duty station and the Company's Financial Systems Policies and Procedures 6.2.1 which states that and "imprest will be issued to officers for specific purposes and will be accounted for by submission of cash receipts and refund of the cash balance.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Board Work Plan

Included in the statement of profit or loss and other comprehensive income and as disclosed in note 11 to the financial statements is Kshs.5,931,653 in respect to board expenses. However, it was noted that the board committees had in operation, a calendar of events but lacked a documented and approved board work plan, contrary to the requirements of the Mwongozo Code of Governance for State Corporations, 2015, which mandates the preparation and implementation of such a plan to ensure structured strategic execution of the board's responsibilities.

In the circumstances, the effectiveness of the internal controls over board operations could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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

Conclusion

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 the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December 2024



14. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023-2024 Kshs	(Restated) 2022-2023 Kshs	2022-2023 Kshs
Revenue				
Operating Revenue	6	228,317,433	217,775,370	217,775,370
Grants Income	7	20,100,701	38,246,530	38,246,530
Other Income	8	8,571,636	13,581,030	13,581,030
Total Revenue		256,989,769	269,602,930	269,602,930
Expenses				
Staff Costs	9	108,454,746	89,881,290	89,881,290
General and Operations expenses	10	188,915,410	153,495,170	153,495,170
Board Expenses	11	5,931,653	4,770,770	4,770,770
Maintenance Expenses	12	15,819,552	11,078,890	11,078,890
Depreciation and Amortization expenses	13	4,048,105	4,609,610	5,080,560
Total Expenses		323,169,465	263,835,730	264,306,680
Profit/(Loss) Before Taxation		(66,179,696)	5,767,200	5,296,250
Income Tax Expense/(Credit)		-	-	-
Profit/(Loss) After Taxation		(66,179,696)	5,767,200	5,296,250
Earnings per share – basic and diluted		-	-	-
Dividend per share		-	-	-
Other Comprehensive Income				
Profit/ (Loss) after taxation		(66,179,696)	5,767,200	5,296,250
Surplus or deficit on revaluation of PPE		-	-	-
Remeasurement of net defined benefit liability		-	-	-
Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI		-	-	-
Total Comprehensive Income for The Year		(66,179,696)	5,767,200	5,296,250

Gusii Water and Sanitation Company Ltd
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	2023-2024 Kshs	(Restated) 2022-2023 Kshs	2022-2023 Kshs
ASSETS				
Non-Current Assets				
Property, plant and equipment	14	41,532,918	43,697,891	43,126,440
Intangible assets	15	1,252,311	-	100,700
Total Non-Current Assets		42,785,229	43,697,890	43,227,140
Current Assets				
Inventories	16	1,491,383	2,489,150	2,489,150
Trade and other receivables	17	142,411,867	129,084,590	129,084,590
Bank and cash balances	18	17,595,498	43,484,510	43,484,510
Total Current Assets		161,498,748	175,058,250	175,058,250
Total Current and Non-Current Assets		204,283,976	218,756,140	218,285,390
EQUITY AND LIABILITIES				
Capital and Reserves				
Ordinary share capital	19	100,000	100,000	100,000
Capital Grant	20	67,053,200	67,053,200	67,053,200
Retained earnings	21	(63,187,046)	2,992,650	2,521,700
Capital and Reserves		3,966,154	70,145,850	69,674,900
Non-Current Liabilities				
Provisions		-	-	-
Total Non-Current Liabilities		-	-	-
Current Liabilities				
Retirement benefit obligations	22	38,105,640	14,405,490	14,405,490
Trade and other payables	23 (a)	96,836,713	65,117,210	65,117,210
Cash Overdraft	23 (b)	2,312,982	-	-
Customer Deposits	24	29,715,363	25,775,480	25,775,480
Agency Account	26	33,347,124	43,312,110	43,312,310
Total Current Liabilities		200,317,822	148,610,290	148,610,490
TOTAL EQUITY AND LIABILITIES		204,283,976	218,756,140	218,285,390

The financial statements were approved by the Board on **13 December, 2024** and signed on its behalf by:


 Name: Lucy Wachira
 Managing Director


 Name: CPA Jared Rasugu
 Head of Finance
 ICPAK M/No: 28053


 Name: David Obure
 Chairman of the Board

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2022	100,000	-	-	(2,774,650)	0	67,053,200	64,378,550
New capital issued	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Profit for the year	-	-	-	5,767,200	-	-	5,767,200
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
As at June 30, 2023	100,000	0	0	2,992,551	0	67,053,200	70,145,750
As at July 1, 2023	100,000	-	-	2,992,551	-	67,053,200	70,145,750
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Profit for the year	-	-	-	(66,179,696)	-	-	(66,179,696)
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
At June 30, 2024	100,000	-	-	(63,187,045)	0	67,053,200	3,966,154



Gusii Water and Sanitation Company Ltd
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023 (RESTATED)

Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2021	100,000	0	0	(28,929,800)	0	67,053,200	38,223,400
New capital issued	0	0	0	0	0	0	0
Revaluation gain	0	0	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0	0	0
Profit for the year	0	0	0	26,155,150	0	0	26,155,150
Capital/Development grants received during the year	0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0	0	0
Dividends paid – prior year	0	0	0	0	0	0	0
Interim dividends paid – current year	0	0	0	0	0	0	0
Proposed final dividends	0	0	0	0	0	0	0
As at June 30, 2022	100,000	0	0	(2,774,650)	0	67,053,200	64,378,550
As at July 1, 2022	100,000	0	0	(2,774,650)	0	67,053,200	64,378,550
Issue of new share capital	0	0	0	0	0	0	0
Revaluation gain	0	0	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0	0	0
Profit for the year	0	0	0	5,767,200	0	0	5,767,200
Capital/Development grants received during the year	0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0	0	0
Dividends paid – prior year	0	0	0	0	0	0	0
Interim dividends paid – current year	0	0	0	0	0	0	0
Proposed final dividends	0	0	0	0	0	0	0
At June 30, 2023	100,000	0	0	2,992,651	0	67,053,200	70,145,850

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital Development Fund	Total
As at July 1, 2021	100,000	0	0	(28,929,800)	0	67,053,200	38,223,400
New capital issued	0	0	0	0	0	0	0
Revaluation gain	0	0	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0	0	0
Profit for the year	0	0	0	26,155,150	0	0	26,155,150
Capital/Development grants received during the year	0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0	0	0
Dividends paid – prior year	0	0	0	0	0	0	0
As at June 30, 2022	100,000	0	0	(2,774,650)	0	67,053,200	64,378,550
As at July 1, 2022	100,000	0	0	(2,774,650)	0	67,053,200	64,378,550
Issue of new share capital	0	0	0	0	0	0	0
Revaluation gain	0	0	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0	0	0
Profit for the year	0	0	0	5,296,250	0	0	5,296,250
Capital/Development grants received during the year	0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0	0	0
At June 30, 2023	100,000	0	0	2,521,701	0	67,053,200	69,674,900



17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023-2024 Kshs	2022-2023 Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		214,990,156	260,697,630
Grants Income		20,100,701	38,246,530
Other Income		8,571,636	13,581,030
Customer Deposits		3,939,883	3,114,020
Total Receipts		247,602,376	315,639,210
Payments			
Staff Costs		84,754,597	96,574,099
General and Operations expenses		166,163,125	218,219,520
Board Expenses		5,931,658	4,770,770
Maintenance Expenses		15,819,552	11,078,890
Finance Costs		-	-
Refund of Customer Deposits		-	-
Total Payments		272,668,932	330,643,280
Net Cash From/ (Used In) Operating Activities	25	(25,066,556)	(15,004,070)
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment (PPE)	14	(3,135,442)	(3,350,000)
Proceeds from Disposal of PPE		-	-
Purchase of Intangible Assets		-	-
Net Cash From/ (Used In) Investing Activities		(3,135,442)	(3,350,000)
Cash Flows from Financing Activities			
Proceeds from Borrowings		-	-
Repayment of Borrowings		-	-
Net Cash From/ (Used In) Financing Activities		-	-
Increase/(Decrease) In Cash and Cash Equivalents (a)		(28,201,998)	(18,354,070)
Cash and Cash Equivalents at Beginning of Year (b)			
Cash at Bank and on hand		43,484,514	62,091,420
Total (a+b)		15,282,516	43,737,350
Effects of Foreign Exchanges Rate Fluctuations		-	-
Cash and Cash Equivalents at End of The Year			
Cash at Bank and on hand	18	17,595,498	43,484,514
Cash Overdraft	23(b)	(2,312,982)	-
		15,282,516	43,484,514

18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage of utilisation
	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	305,658,011	0	305,658,011	228,317,433	77,340,579	75%
Non-Operating Revenue	64,140,000	0	64,140,000	8,571,636	55,568,365	13%
Grants	136,627,511	0	136,627,511	20,100,701	116,526,810	15%
Total Revenue	506,425,522	0	506,425,522	256,989,769	249,435,753	51%
Expenses						
Staff Costs	106,622,576	0	106,622,576	108,454,746	(1,832,169)	102%
Board Expenses	7,173,419	0	7,173,419	5,931,653	1,241,766	83%
General and operations Expenses	212,464,890	0	212,464,890	188,915,410	23,549,480	89%
Maintenance	28,264,886	0	28,264,886	15,819,552	12,445,334	56%
Depreciation and amortization expenses	0	0	0	4,048,105	(4,048,105)	100%
Total Recurrent Expenditure	354,525,771	0	354,525,771	323,169,465	31,356,306	91%
Profit or Loss	151,899,752	0	151,899,752	(66,179,696)	218,079,447	
Capital Expenditure	151,899,752	0	151,899,752	3,135,442	148,764,310	2%
Total Expenditure	506,425,522	0	506,425,522	326,304,907	180,120,615	64%



Budget notes:

i. Performance difference of 25% operating income

The difference was occasioned by failure to meet the target in activating dormant connections which were projected to offer a direct impact on revenue from water sales.

ii. Performance difference of 87% non-operating income

Non-operating income in this category relate to miscellaneous incomes and debt recovery. This includes Exhauster income, New Connection, Reconnection Fee, Sewer, Sewer New Connections and water reconnections. The breakdown of exhauster vehicles affected targeted income from exhausting, slow uptake of water and sanitation services that affected anticipated revenue from new water and sewerage connections and reconnections.

iii. Performance difference of 85% grant

The Company expected a grant from Water Sector Trust fund under Urban Project Concept (UPC) for Kiogoro Water Project and Kibirigo Public Sanitation Facility which did not materialize during the year, receiving only additional funding for Conditional Liquidity Support Grant.

iv. Performance difference of 17% board expenses

This relates to the director's remuneration. The board activities that were not conclusively undertaken include board training and annual general meeting which was not held during the year.

v. Performance difference of 11% general and operating expenses

Expenditure on general and operating expenses relate to general administration costs and direct operational expenditures relating to water and sewerage. On general administration expenditures, the Company could not meet targeted expenditure on medical cover on directors and employees budgeted at Kshs. 20 million as well as expenditure on environmental impact assessment projected at Kshs. 26 million fell short of the target.

vi. Performance difference of 44% maintenance

The Company witnessed the slowest absorption of funds in this vote. The planned activities include buildings repair, pipe network repairs, plant and machinery repairs, servicing of pumps and motors and maintenance of vehicles which were allocated substantial amounts. No repairs were undertaken on buildings, only minor repairs were done on pipe network and plant and machinery and servicing of motors. Two vehicles were involved in road accident which were taken over by insurance companies.



19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Gusii Water and Sanitation Company Ltd 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 Company's accounting policies.

The financial statements have been prepared on a going concern basis and in compliance with IFRS Accounting Standards issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act and in accordance with 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 and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts and therefore this standard is not applicable</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>There exists a significant effect on estimates on accounts receivables</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. <i>The accounting policies disclosed are material and therefore the application of this standard is relevant</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.



Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

iii. *Early adoption of standards*

Gusii Water and Sanitation Company Ltd did not early – adopt any new or amended standards in year under review.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item of Property, Plant and Equipment	Useful life (years)	Rate
Pipeline (Infrastructure work)	40	2.5%
Building & civil work	40	2.5%
Plant & machinery	8	12.5%
Motor vehicle and motor cycles	4	25.0%
Computers	3	33.3%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Summary of Accounting Policies

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 from 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.

h) Right of Use Asset

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Summary of Accounting Policies

i) 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. These are measured at fair value through profit or loss (FVTPL).

j) 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.

k) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

l) Taxation

i) Current income tax

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

m) 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.

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Summary of Accounting Policies

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 reassessed 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.

n) 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.



Summary of Accounting Policies

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

p) Borrowings

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

q) Trade and other payables

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

r) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by CPF, Lapfund and Standard Chartered Securities 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 6% on gross salary per employee per month. Employees on contract are paid gratuity. The payment is made at the point of separation. It is computed at the rate of 7.5% of the consolidated salary received for each completed month of service for those leaving in the first year, 17.5% of the consolidated salary received for each completed month of service both years for those leaving in the second year and 31% of the consolidated salary received for each completed month of service for the three years for those leaving in the third year.

s) Provision for staff leave pay

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



t) Exchange rate differences

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

u) Budget information

The original budget for Financial Year 2023-2024 was approved by the Board of Directors on 28 June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, same as the budget. 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.

v) Service concession arrangements

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

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024



5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

The provisions applicable for bad debts on the company's accounts receivable are currently estimated at 10% as per the existing accounting policy on financial policies and procedures manual.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUES)

6. Operating Revenue

	2023-2024 Kshs	2022-2023 Kshs
Water Sales	149,285,051	135,821,930
Sewer	74,703,881	72,528,230
Refuse	9,750	900
Meter Rent	4,318,750	3,862,200
Other	-	5,562,110
Income	-	-
Total	228,317,433	217,775,370

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.

7. Grants Income

	2023-2024 Kshs	2022-2023 Kshs
Operational grants from Government entities	12,000,000	-
Recurrent/operational grants from other agencies	-	38,246,530
Capital grants amortized	8,100,701	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
Total	20,100,701	38,246,530

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Insert Current FY KShs
WSTF	20,100,701	-	-	20,100,701	20,100,701
Total	20,100,701	-	-	20,100,701	20,100,701



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Other Income

	2023-2024	2022-2023
	Kshs	Kshs
Change of Name	-	64,800
renewal	8,100	-
stop cork charges	200	-
labour	2,700	-
Exhauster Charges	44,000	-
Exhauster permit	-	400
Meter Testing	3,600	1,000
stolen meters	19,500	-
damaged meter charges	18,500	-
New Connection	88,900	2,098,260
Reconnection Fee	239,000	51,090
Sewer	-	7,884,000
sewer disposal	487,000	-
sewer unblocking	60,000	-
sewer upgrade	100,000	-
Sewer New Connection	857,500	1,080,960
Sewer Charges	-	97,570
Sewer Discharge	-	41,000
Survey Fee	2,946,502	556,890
Surcharge	2,199,780	5,000
bank charges	118,500	-
illegal connection penalties	261,000	-
Statement charges	112,200	12,560
Termination	-	66,280
turn off fee	31,304	-
turn on fee	23,700	800
Refuse	-	150
Meter Rent	-	406,520
Water Bowser	895,500	617,750
direct-water-sale	54,150	-
Total	8,571,636	13,581,030



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Staff Costs

	2023-2024	2022-2023
Gross salary and allowances	79,526,120	68,536,540
Wages of temporary employees	9,107,623	3,727,680
Medical insurance schemes	6,631,875	-
Employer's contributions to national social security schemes	-	659,800
Employer's contributions to pension scheme		
CPF Financial Services	9,499,280	2,832,980
LAp Fund	28,260	46,160
NW Pension	465,612	665,600
Gratuity provisions	3,195,977	13,412,530
Total	108,454,746	89,881,290

10. General and Operations Expenses

	2023-2024	2022-2023
	Kshs	Kshs
Chemicals	10,531,228	14,730,330
Water Quality Resting	20,000	-
Regulatory Levy (WASREB)	12,128,840	8,481,560
Abstraction Levy (WRA)	-	2,052,830
Electricity	93,667,056	79,137,680
Travelling& accommodation	10,001,486	4,126,200
Transport & Lunch	3,601,610	2,976,210
Health, Hygiene and Safety	204,025	353,190
Protective clothing/ Uniforms	165,244	760,950
Staff welfare	1,092,000	-
Staff entertainment & others	1,970,196	1,518,630
Printing & Photocopy	179,540	281,200
Stationery	1,038,518	673,970
Consumables	198,295	111,020
Advertising & Publicity	557,527	810,800
Mobile Airtime	898,125	478,720
Postage	10,006	6,220
Bulk sms	-	-
Repair of office equipment	278,202	71,750
Software/Licences	26,886	-
Computer Softwares [ICT Maintenance]	2,387,584	1,240,619
Insurance Expense	2,154,833	1,339,880
Security Services	8,290,900	6,790,500



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Audit fee	446,600	446,600
Legal fees	3,344,200	2,529,910
Environmental Impact Asses	283,040	-
Consultancy Services	2,987,864	460,000
Fees and Fines	5,351,490	
Cleaning Services	3,936,864	4,444,340
Subscriptions	424,600	266,300
Donations	203,475	180,250
Corporate Social Responsibility	194,800	-
Staff Training	563,660	637,240
Bank charges and commissions		327,260
Provision for Expected Credit Losses	21,776,716	18,261,010
Total	188,915,410	153,495,170

11. Board Expenses

	2023-2024	2022-2023
	Kshs	Kshs
Chairman Honoraria	242,100	480,000
Sitting allowances	2,298,700	2,868,570
Travel and accommodation	2,581,200	1,037,300
Other allowances	809,653	384,900
Total Board Expenses	5,931,653	4,770,770

12. Maintenance Expenses

	2023-2024	2022-2023
	Kshs	Kshs
Rentals & Hired Services	337,348	917,480
Ground maintenance	333,526	71,600
Electrical appliances	39,600	13,350
Cleaning materials	55,645	7,110
Maintenance of buildings	579,490	3,793,690
Repair & Maint of Plant/Tank	406,956	1,492,250
Sewer network repairs	1,505,800	754,140
Pipe network repairs	3,917,489	1,714,910
Plant and machinery repairs	868,094	95,250
Fuel & Oil	4,607,694	1,154,400
Hired Transport	46,000	-
Vehicles repair & maintenance	3,121,910	577,180
Servicing/Repairs	-	487,530
Total	15,819,552	11,078,890

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Depreciation and Amortization Expenses

	2023-2024	(Restated) 2022-2023	2022-2023
	Kshs	Kshs	Kshs
Depreciation	3,421,949	4,408,610	4,980,060
Amortization	626,156	201,000	100,500
Total	<u>4,048,105</u>	<u>4,609,610</u>	<u>5,080,560</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Property, Plant and Equipment

2024	Pipeline	Buildings/ Civil works	Plant and Machinery	Motor Vehicles	Computers	office Equipment	Capital Work in progress	Total
Cost or Valuation								
At July 1, 2023	60,602,330	2,529,000	5,714,500	3,350,000	1,790,040	176,500	-	74,162,370
Additions	-	-	-	-	1,105,444	151,532	-	1,256,976
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2024	60,602,330	2,529,000	5,714,500	3,350,000	2,895,484	328,032	-	75,419,346
Depreciation								
At July 1, 2023	20,187,350	2,299,300	5,662,700	502,500	1,736,840	75,790	-	30,464,480
Charge for the year	1,515,058	63,225	0	837,500	965,161	41,004	-	3,421,949
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2024	21,702,408	2,362,525	5,662,700	1,340,000	2,702,001	116,794	-	33,886,428
Net Book Value as at								
June 30, 2024	38,899,922	166,475	51,800	2,010,000	193,483	211,238	-	41,532,918
Net Book Value as at								
June 30, 2023	40,414,980	229,700	51,800	2,847,500	53,200	100,710	-	43,697,890

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Property, Plant and Equipment
For the Year Ended 30 June 2023 (Restated)

2023	Pipeline	Building Civil works	Plant and Machinery	Motor Vehicles	Computers	office Equipment	Capital Work in progress	Total
Cost or Valuation								
At July 1, 2022	60,602,330	2,529,000	5,714,500	-	1,790,040	176,500	-	70,812,370
Additions	-	-	-	3,350,000	-	-	-	3,350,000
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2023	60,602,330	2,529,000	5,714,500	3,350,000	1,790,040	176,500	-	74,162,370
Depreciation								
At July 1, 2022	17,157,230	2,046,400	5,662,700	-	1,140,220	49,320	-	26,055,870
Charge for the year	3,030,120	252,900	-	502,500	596,620	26,470	-	4,408,610
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2023	20,187,350	2,299,300	5,662,700	502,500	1,736,840	75,790	-	30,464,480
Net Book Value as at June 30, 2023	40,414,980	229,700	51,800	2,847,500	53,200	100,710	-	43,697,891
Net Book Value as at June 30, 2022	43,445,090	482,600	51,800	-	497,505	127,175	-	44,604,170



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Property, Plant and Equipment
For the Year Ended 30 June 2023

2023	Pipeline	Buildings/ Civil works	Plant and Machinery	Motor Vehicles	Computers	Office Equipment	Capital Work in progress	Total
COST OR VALUATION								
At July 1, 2022	60,602,330	2,529,000	5,714,500	-	1,790,040	176,500	-	70,812,370
Additions	-	-	-	3,350,000	-	-	-	3,350,000
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2023	60,602,330	2,529,000	5,714,500	3,350,000	1,790,040	176,500	-	74,162,370
DEPRECIATION								
At July 1, 2022	17,157,230	2,046,400	5,662,700	-	1,140,220	49,320	-	26,055,870
Charge for the year	3,030,120	252,900	571,450	502,500	596,620	26,470	-	4,980,060
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
At June 30, 2023	20,187,350	2,299,300	6,234,150	502,500	1,736,840	75,790	-	31,035,930
Net Book Value as at June 30, 2023	40,414,980	229,700	(519,650)	2,847,500	53,200	100,710	-	43,126,440
Net Book Value as at June 30, 2022	43,445,090	482,600	51,800	-	497,500	127,170	-	44,604,160



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a) Valuation

No valuation was undertaken on Land and buildings.

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:

Details	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Pipeline	60,602,330	21,702,408	38,899,922
Buildings/ Civil works	2,529,000	2,362,525	166,475
Plant and Machinery	5,714,500	5,662,700	51,800
Motor Vehicles	3,350,000	1,340,000	2,010,000
Computers	2,895,484	2,702,001	193,483
Office Equipment	328,032	116,794	211,238
Total	75,419,346	33,886,428	41,532,918

15. Intangible Assets

Intangible Assets	2023-2024	(Restated) 2022-2023	2022-2023
	Kshs	Kshs	Kshs
COST			
At July 1	301,500	301,500	301,500
Additions	1,878,466	0	0
Disposals	0	0	0
At June 30	2,179,966	301,500	301,500
AMORTISATION			
At July 1	301,500	301,500	100,400
Charge for the year	626,155	0	100,400
Disposals	0	0	0
Impairment loss	0	0	0
At June 30	927,655	301,500	200,800
NET BOOK VALUE AT JUNE 30	1,252,311	(0)	100,700



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Inventories

	2023-2024	2022-2023
	Kshs	Kshs
Calcium Hypochlorite	698,581	600,560
Soda Ash	147,784	414,930
Aluminium Sulphate	645,018	1,415,980
Polmar	-	57,680
Engineering stores	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	-
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	<u>1,491,383</u>	<u>2,489,150</u>

17. Trade and Other Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Trade receivables (note 18 (a))	217,767,133	182,610,070
Deposits and prepayments	-	-
VAT recoverable	-	-
Staff receivables	-	-
Other receivables	-	53,070
Gross trade and other receivables	217,767,133	182,663,140
Provision for bad and doubtful receivable	(75,355,266)	(53,578,550)
Net trade and other receivables	<u>142,411,867</u>	<u>129,084,590</u>

17 (a) Trade Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	217,767,133	182,610,070
Provision for doubtful receivables	(21,776,716)	(19,111,870)
Net trade receivables	195,990,417	163,498,200

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

Less than 30 days	10,207,743	12,672,220
Between 30 and 60 days	10,806,767	14,407,250



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Between 61 and 90 days	6,435,781	8,724,330
Between 91 and 120 days	6,650,547	13,211,080
Over 120 days	183,666,285	133,595,180
Total	217,767,123	182,610,060

17 (b) Reconciliation of Impairment Allowance for Trade Receivables

	2023-2024	2022-2023
Description	KShs	KShs
At the beginning of the year	(53,578,550)	(35,317,540)
Additional provisions during the year	(21,776,716)	(18,261,010)
At the end of the year	(75,355,266)	(53,578,550)

18. Bank and Cash Balances

The amount of Kshs. 17,595,497.85 represents bank balances and M-Pesa Business account held by the Company as at 30 June, 2024

	2023-2024 Kshs	2022-2023 Kshs
Cash at Bank		
KCB - 1106368436	2,151,938	4,644,570
KCB - 1132172489	13,060,857	9,125,290
Co-operative Bank - 01141384702000	674,546	-
Co-operative Bank - 01141384702001	1,299,299	-
Co-operative Bank - 01141384702002	1,000	29,154,290
M-pesa Business - 993600	407,858	560,360
Add: Cash in Hand	-	-
Reconciled Bank and cash balances	17,595,498	43,484,510

19. Ordinary Share Capital

	2023-2024 Kshs	2022-2023 Kshs
Authorized:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs. 20 par value each	-	-
Total	100,000	100,000



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Capital Grants

The capital grants relate 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 in the previous years during construction of the projects. The amount funded is not repayable.

Capital Grant	2023-2024	2022-2023
	Kshs	Kshs
Reserves as at 1st. July	67,053,200	67,053,200
Additions	-	-
As 30 June	67,053,200	67,053,200

21. Retained Earnings

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

	2023-2024	(Restated) 2022-2023	2021-2022
	Kshs	Kshs	Kshs
Retained earnings			
Reserves as at 1st. July	2,992,650	(2,774,550)	(2,774,550)
Profit/(Loss) for the Year	(66,179,696)	5,767,200	5,296,250
Total	(63,187,046)	2,992,650	2,521,700

22. Retirement Benefit Obligations

	2023-2024	2022-2023
	Kshs	Kshs
CPF Financial Services	17,037,301	5,861,820
Lapfund	12,950,839	702,310
standard chartered security services	8,117,500	7,841,360
Total Retirement Benefit Obligations	38,105,640	14,405,490

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2023-2024	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	38,105,640	14,405,490
Non-current benefit obligation	-	-	-	-	-
Total	-	-	-	38,105,640	14,405,490

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

23.(a) Trade and Other Payables

Trade and Other Payables	2023-2024 Kshs	2022-2023 Kshs
Trade payables	96,238,629	49,903,760
Other payables		
Accrued expenses		
Retention/ contract monies	598,084	15,213,450
Employee payables	<u>96,836,713</u>	<u>65,117,210</u>
Total		
Aging Analysis for Trade and other Payables	2023-2024 Kshs	% of the total
Under one year	38,674,552	40%
1-2 years	<u>57,564,077</u>	60%
Total	<u>96,238,629</u>	



23. (b) Cash Overdraft

This represents overdrawn balance in the cash book for the year ending 30 June, 2024

	2023-2024 Kshs	2022-2023 Kshs
Cash Overdraft	2,312,982	-

24. Refundable Deposits and Prepayments

Description	2023-2024 KShs	2022-2023 KShs
Balance at beginning of the year	25,775,480	22,661,460
Customer Deposits Received	3,939,883	3,114,020
Direct Credits on Customer Deposits	-	-
Deposit refund	-	-
Balance at end of the year	29,715,363	25,775,480

Aging Analysis for Refundable Deposits and Prepayments

	2023-2024 Kshs	% of the total	2022-2023 Kshs	% of the total
Under one year	3,939,883	13%	3,114,020	10%
1-2 years	3,114,020	10%	3,900,500	13%
2-3 years	3,900,500	13%	1,605,000	5%
Over 3 years	18,760,960	63%	17,155,960	58%
Total	29,715,363		25,775,480	

25. Notes to The Statement of Cash Flows

	2023-2024 Kshs.	(Restated) 2022-2023 Kshs.	2022-2023 Kshs.
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations			
	Kshs	Kshs	Kshs
Profit or loss before tax	(66,179,696)	5,767,200	5,296,250
Depreciation	3,421,949	4,408,610	4,980,060
Amortization	626,156	201,000	100,500
Total	(62,131,591)	10,376,810	10,376,810
Operating profit/(loss) before working capital changes			



Working capital changes:			
(Increase)/decrease in inventories	997,768	(1,423,230)	(1,423,230)
(Increase)/decrease in trade and other receivables	(13,327,277)	42,922,260	42,922,260
Increase/(decrease) in Retirement Benefit Obligations	23,700,149	(6,692,810)	(6,692,810)
Increase/(decrease) in trade and other payables	31,719,503	(61,251,950)	(61,251,950)
Increase/(decrease) in Customer Deposits	3,939,883	3,114,020	3,114,020
Increase/(decrease) in Agency Account	(9,964,986)	(2,049,170)	(2,049,170)
Cash generated from/(used in) operations	-	-	-
Cash generated from/ (used in) operation	(25,066,551)	(15,004,070)	(15,004,070)

(b) Analysis of cash and cash equivalents

Short term deposits	-	-	0
Cash at bank	17,595,498	43,484,510	43,484,510
Cash in hand	-	-	0
Balance at end of the year	17,595,498	43,484,510	43,484,510

Other Disclosures

26. Related Party Disclosures

County Government of Kisii and Nyamira

The County Government of Kisii and Nyamira are the principal shareholder of the Company, holding 68% and 32% of the Company's equity interest respectively. The two County of Governments have provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Transactions with related parties

Agency Account	2023-2024	2022-2023
Transactions with related parties		
	Kshs	Kshs
a) Sales to related parties		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Total	-	-
b) Purchases from related parties		
SPA Fee (LVSWWDA)	-	19,121,850
Regulatory fee (WASREB)	33,404,300	23,847,640
Water abstraction fee (WARMA)	(57,176)	342,820
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Total	33,347,124	43,312,310
b) Grants from the County Government	-	-
Grants from National Govt	20,100,701	38,246,530
Grants from County Government	-	-
Donations in kind	-	-
Total	20,100,701	38,246,530
c) Expenses incurred on behalf of related party	-	-
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	5,931,653	4,770,770
Compensation to key management	-	-
Total	5,931,653	4,770,770



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Going Concern

The Company's current liabilities amount to Kshs. 200,317,822 as at 30 June 2024 (2022-2023: Kshs. 148,610,490) while the current assets amount to Kshs. 161,498,748 (2022-2023: Kshs. 175,058,250) resulting into a working capital of negative Kshs. 38,819,074 (2022-2023: Kshs. 26,447,760). The bulk of current liabilities are due to Water Services Regulatory Board for regulatory levy; CPF financial Services, National Water Pension, and Lapfund for Pension Obligations for employees; and refundable customer deposits deposited by customers for new water meter paid upon connections and refundable upon termination of water supply contract.

As reflected in Note 6 to the financial statements, the operating revenue of the Company increased from Kshs. 217,775,370 in the financial year ended 30 June 2023 to Kshs. 228,317,433 in the financial year ended 30 June 2024 representing 5% growth. Consequently, the accounts receivables increased from KShs. 129,084,590 in the year ended 30 June 2023 to Kshs. 142,411,867 in the financial year ended 30 June 2024.

To avert this, the company shall review the budget making process aimed at establishing a realistic budget, adopt resource mobilization mechanisms and continually embrace NRW strategies to avert the current scenario.

28. Financial Risk Management

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

(i) Credit risk

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

Credit risk				
	Total amount	Fully performing	Past due but not Impaired	Past due and Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade Receivables	217,767,133	217,767,133	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	13,468,715	13,468,715	-	-
Total	231,235,848	231,235,848	-	-
At 30 June 2023 (previous Year)				
Receivables	182,610,070	182,610,070	-	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	43,484,510	43,484,510	-	-
Total	226,094,580	226,094,580	-	-

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Liquidity Risk Management

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 current year				
Trade payables	-	-	96,836,713	96,836,713
Current portion of borrowings	-	-	3,939,883	3,939,883
Agency Account	-	-	33,347,124	33,347,124
Employee benefit obligation	-	-	38,105,640	38,105,640
Total	-	-	172,229,360	172,229,360
At 30 June 2023 previous year				
Trade payables	-	-	65,117,210	65,117,210
Current portion of borrowings	-	-	3,114,020	3,114,020
Provisions	-	-	43,312,310	43,312,310
Employee benefit obligation	-	-	14,405,490	14,405,490
Total	-	-	125,949,030	125,949,030

(iii) Market risk

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

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

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

iv) Capital Risk Management

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

	2023-2024	2022-2023
	Kshs	Kshs
Ordinary share capital	100,000	100,000
Retained earnings	(63,187,046)	2,992,650
Capital Grant	67,053,200	67,053,200
Total funds	3,966,154	70,145,850
 Total Customer Deposits	 29,715,363	 25,775,480
Less: cash and bank balances	(17,595,498)	(43,484,510)
Net debt/ (excess cash and cash equivalents)	16,086,019	52,436,820
Gearing	4	0.75

29. Incorporation

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

30. Events After the Reporting Period

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



1. APPENDICES

Appendix 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
Report on the Financial Statements				
1.0	Long Outstanding Trade and Other Payables The statement of financial position reflects Trade and other payables balance of Kshs. 65,117,210, which as disclosed in note 23 to the financial statements includes trade payables amount of Kshs. 49,903,760. Included in the amount is Kshs. 28,942,291 (including audit fees of Kshs. 4,916,000) that had been outstanding for more than ninety (90) days. Further, the balance of Kshs. 65,117,210 includes employee payables amount of Kshs. 15,213,450 out of which, Kshs. 1,925,825 had been outstanding for more than ninety (90) days. The amount of Kshs. 1,925,825 comprises of staff salaries and wages of Kshs. 598,084 and ksh. 1,327,741 respectively owed to Gusii	We acknowledge the auditor's observation on long outstanding payables. Management has been committed to settle outstanding payables as and when sufficient funds are available. Going forward, the company has established a payment plan for all creditors for settlement of liabilities as they fall due. Already a payment of Ksh. 200,000 for audit fees has been paid. Staff salaries and wages of Kshs. 1,327,741 were paid in the subsequent financial year. We have contacted officials of Gusii	Ongoing. Shared with the auditor	31 st December 2024



	Water Staff Self Help Group and therefore should be settled at the point of paying salaries. In the circumstances, failure to settle bills during the year in which they relate adversely affects provisions of the subsequent year to which they have to be settled as a first charge. In addition, the Company may be sued as a result of unsettled obligations which may lead to legal fees, penalties and interest on unpaid amounts.	Water Staff Self Help Group and have been requested to forward the account number for processing of amount owed to the group.		
2.0	Trade and other Receivables The statement of financial position and note 17 of the financial statements reflects trade and other receivables of Kshs 129,084,590 which comprises of gross amount of Ksh.182,663,143 less general provision of Kshs. 53,578,550. However, the gross trade receivables aging analysis has debtors that are over one hundred and twenty (120) days amounting to Ksh.133,595,180, which clearly shows uncertainty in collection of the old debts. In the circumstances, the accuracy in valuation and recoverability of trade and other receivables balance of Ksh.129,084,590 as at	Management acknowledges the observation of the auditor and the following action has been taken: We have established a revenue collection team which is rigorously undertaking debt collection to manage outstanding receivables.	Ongoing. Shared with the auditor	31st December 2024



	30 June, 2023 could not be confirmed			
	Intangible Assets and Amortization	Management acknowledges the	Ongoing. Shared with the auditor	31 st December 2024
3	The statement of financial position and Note 15 of the financial statements reflects an intangible assets balance of Kshs. 100,700 which has remained the same over the last four (4) years which has been reported in the statement of financial performance. It has been noted that Management has not been accumulating amortization but, instead has been bringing forward previous year's amortization balance of Ksh.100,400 as at 1 July, 2022 differs with the re-computed accumulated balance of Ksh. 301,200, resulting in a variance of Ksh.200,800. This means that the re-computed net book value of intangible assets as at 30 June, was Ksh. 300 (Ksh. 301,500-Ksh.301,200). Therefore, the reported amortization charge for the Ksh.100,400 for the year under review and the net book value of Ksh.100,700 are misstated. In the circumstances, the accuracy of intangible assets balance of Kshs. 100,700 and the depreciation and	auditor's observations and confirms that the amortization expense of Ksh. 100,400 has been amended in the financial statements. We have recalculated the net book value of intangible assets as of 30 June, which amounts to Ksh. 0 (Ksh. 301,500 less Ksh. 301,500). Additionally, the prior year's reported amortization charge has been corrected to address the misstatement of the net book value of Ksh. 100,700. The intangible assets remain in use within the company's operations, and their account and accumulated depreciation continue to be reflected in the financial statements.		



		amortization expense of Kshs. 5,080,560 could not be confirmed.			
4.0	Accuracy Deposit	Customer	The management acknowledges that there were deficiencies in customer deposit account balances. In a board of directors meeting held in December 2023, the board approved for this account be regularized progressively on revenue realized in our cash collection from KCB Revenue Account 1106368436 to ensure buildup of customer deposit account 1132172489 to the required account deposit status. Moreover, management reconciled the customer deposits balance of Kshs. 3,114,017 between the bank statement deposit collections during the year of Kshs. 3,114,017 and those reflected in the billing system during the year amounting	Ongoing. Shared with the auditor	31 st December 2024
	The statement of financial position and Note 24 of the financial statements reflects customer deposits amounting to Kshs. 25,775,480. However, the additional deposits placed in the year as per the listing provided for audit amounted to Kshs. 3,114,500 while the bank statement had a total of Kshs. 3,114,017 resulting to variance of Kshs.483. In addition, the refundable customers deposit balance per the bank statement was Kshs. 9,125,294 which was at variance with the reported refundable deposits balance of Kshs. 25,775,480 resulting to unreconciled difference of Kshs. 16,650,186. In the circumstances, the accuracy of refundable customers' deposits balance of Kshs. 25,775,480 could not be confirmed.				



		to Kshs. Kshs. 3,114,017.		
5.0	Unbilled Customers	Management acknowledges the auditor's observation and confirm that all active water connections are supplied with water and billed, all dormant meter connection are activated and supplied with water including customers with sewer connections.	Ongoing. Shared with the auditor	31 st December 2024
	The statement of profit and loss and other comprehensive income reflects operating revenue balance of Kshs. 217,775,370 which, as disclosed in Note 6 to the financial statements, includes water sales amount of Kshs. 135,821,930. Analysis of the water bills for the company for the month of June, 2023 provided for audit revealed that the Smart Revenue System (SPA) had a total of 9,497 active customer accounts out of which only 8,376 customers were billed Kshs. 11,125,155 having consumed 97,211 cubic meters of water. In addition, according to the report of customer identification exercise dated 23 December, 2022 carried out by the Company, it was established that the Company had a total of Kshs. 18,474 connections. Out of these, 9,800 connections were active with working meters, while 4,000 connections had been cut off for non-payments, 1,500 connection had sewer Moreover, the management has endeavored to liaise with the department for roads in the County governments of Kisii and Nyamira, Kenya Rural Roads Authority (KURA) and KENHA to reduce instances of damages to pipe network during road constructions which affects water distribution			



	connection without water and 2,500 connections sewer totally dormant without water. Customers on these connections were also complaining of not having water for over three (3) years due to a faulty pipeline that was damaged during road constructions. Further, a total of 1,092 connections were not billed and it is not clear the amount of water the accounts consumed. In the circumstances, the accuracy of the reported revenue of Ksh.217,775,370 could not be confirmed and the Company may have lost revenue of under determined amount by not billing customers.			
	Emphasis of Matter			
1.0	Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis amounts of Kshs.516,247,638 and Kshs.272,074,360 respectively resulting to a revenue shortfall of Kshs.244,173,278 or (47% of the budget). Similarly, the	Management agrees with the auditor's recommendation on budgetary control and performance. We followed due process on budget formulation and approval process. Management has reviewed this situation and the revenue shortfall and under expenditure in the overall budgetary	Ongoing. Shared with the auditor	31st December 2024



statement reflects an performance which expenditure budget of resulted from Kshs.516,247,638 and unrealized grants actual expenditure on anticipated from comparable basis of development Kshs.249,395,670, partners and county resulting in an under governments which expenditure of affected expenditure Kshs.266,851,970 (or 49% on planned activities of the budget).

The underfunding and under-expenditure affected planned activities and may have impacted negatively on supply of water to residents of Kisii and Nyamira Counties.

Unresolved Prior Year Matters

There were issues raised in the audit report for 2021/2022 financial year. However, no report or recommendation from the Management and oversight bodies was submitted for audit verification and clearance. The issues therefore remain unresolved contrary to section 149(2)(1) of the Public Finance Management Act, 2012 which require Accounting officers in respect of the entity concerned to try to resolve any issues resulting from an audit that remain outstanding.

Ongoing. 31st December
 Shared with 2024
 the auditor



Report on Lawfulness and Effective use of in use of public resources

1.0	Irregular Utilization of Customer Deposits The statement of financial position reflects customer deposits balance of Kshs. 25,775,480 in respect of amounts deposited by customers for new water meter, paid upon connection. These funds were supposed to be retained in the Company's deposit account with the bank. However, the balance differs with the closing balance of Kshs. 9,125,294 reflected in the deposits account bank statement, resulting to a variance of Kshs. 16,650,186 which represents customer deposits withdrawn from the deposit bank account and used for other purposed. However, the Board's approval for these withdrawals and when the withdrawn amount was to be refunded were not provided for audit review. In the circumstances, the regularity of the withdrawal of Kshs. 16,650,186 and its existence as at 30 June, 2023 could not be confirmed.	The management acknowledges that there were deficiencies in customer deposit account balances. In a board of directors meeting held in December 2023, the board approved for this account be regularized progressively on revenue realized in our cash collection from KCB Revenue Account 1106368436 to ensure buildup of customer deposit account 1132172489 to the required account deposit status.	Ongoing. Shared with the auditor	31st December 2024
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2.0	Non-Revenue Water Losses The statement of profit or loss and other comprehensive income reflects operating revenue balance of Kshs.217,775,370 which, as disclosed in Note 6 to the financial statements, includes water sales amount of Kshs.135,821,930. However, examination of water production data revealed that the Company produced 4,233,482 cubic meters (M³) of water out of which, only 1,178,936 cubic meters (M³) were billed to customers, resulting in the balance of 3,054,546 cubic meters (or approximately 72% of the volume produced) representing Non-Revenue Water (NRW) which is 47% above the allowable set benchmark loss of 25% prescribed by the Water Services Regulatory Board Guidelines, 2010. This NRW may have resulted in loss of sales estimated at Kshs.351,914,245 (at the average rate of Kshs.115.21 per cubic meter) out which, Kshs.229,979,379 which is	The management acknowledges the auditors recommendation on necessary measures to contain high level on Non-Revenue Water. This is caused by physical losses involving dilapidated water infrastructure, vandalism and expansion of road networks. Commercial losses also occasion losses from illegal connections and stuck meters. To reverse the trend, we have undertaken the following measures in consultation with the County governments of Kisii and Nyamira: Signing of memorandum of understanding with Lake Victoria South Water Works Development Agency for last mile connectivity aimed at rehabilitation of existing distribution lines and expansion of dilapidated lines. Further, this partnership fruitfully	Ongoing. Shared with the auditor	31st December 2024
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above allowable benchmark was not acceptable. This was an indication of lack of efficiency and effectiveness in the use of public resources and no evidence of the Company's efforts to address the situation was provided for audit review. The potential NRW loss of Kshs. 351,914,245 for the year ended 30 June, 2023 has negatively impacted on the Company's profitability and its long-term sustainability.	led to installation of a new billing software to manage billing. The Company has also partnered with Ministry of interior and coordination of national government whereby the services of Water police Unit have been enjoyed. This has resulted to rapid crack down of illegal connections where necessary action has been taken. Management has undertaken an assessment of status of metered connections to identify faulty for replacement and availing sufficient stock of new meters to facilitate promptness in new connection. In consultation with the Ministry of Water and Irrigation and Water Services Regulatory Board, the Company is implementing Non Revenue Water Strategy and guidelines issued.
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3.0	Unsupported Procurement of Legal Services The statement of financial position reflects trade and other payables balance of Kshs. 65,117,210 which, a disclosed in Note 23 to the financial statements, includes trade payables amount of Kshs. 49,903,760 out of which, an amount of Kshs. 921,915 was a legal fee payable to a law firm that represented the Company at its Board meetings. However, details of how the law firm was sourced and appointed were not provided for audit review. i. In the circumstances, the eligibility of the liability of Kshs. 921,915 could not be confirmed.	The management acknowledges the Auditors observation on sourcing and appointment of the firm. Nyasae and Associates (Certified Public Secretaries) who were appointed to represent the Company at its Board meetings. The documents in support of sourcing the services are being traced in our procurement office	Ongoing. Shared with the auditor	31st December 2024
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4.0	Un-Updated Fixed Asset Register The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment balance of Kshs. 43,126,440. However, the fixed asset register provided for audit did not show details such as date of purchase, description of assets including model and serial number, cost, specific location, asset number, responsible official, class, category of assets and its condition. Also, the assets were not coded or tagged for ease of identification and tracking. This was contrary to Regulation 132(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked. In the circumstances, Management was in break of the law.	We acknowledge the necessity of keeping a comprehensive register to protect public assets as recommended by the auditor. In compliance with the Regulation 132(1) (b) of the Public Finance Management (County Governments) Regulations, 2015, management commits to update the Company asset register to provide complete transparency of all asset data, ensuring all assets remain compliant with regulatory standards, providing an accurate audit trail, helping to track and identify assets and preventing assets from being lost or stolen with accurate location data. In the financial year 2023-2024, management has commenced the exercise using the allocated funds in our budget to	Ongoing. Shared with the auditor	31st December 2024
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Gusii Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024



facilitate asset
coding and tagging
for ease of
identification and
tracking. This shall
be concluded before
the end of this
financial year.

Signature: _____

A handwritten signature in blue ink, appearing to read 'Lucy'.

Lucy Wahito Wachira
Managing Director/Secretary to the Board
28 November 2024



APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	08W/KISII/GUSII/45	WSTF	Kiogoro Water Project)	Yes	Yes
2	08S/NYAMIRA/GUSII/44	WSTF	Kebirigo Public Sanitation Facility	Yes	Yes

Status of Projects completion

Funding from Water Sector Trust Fund on Kiogoro and Kebirigo projects is yet to be received to commence construction of the new facilities

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Kiogoro Water Project)	19,309,722.60	0	0	19,309,722.60	19,309,722.60	WSTF & Gwasco
2 Kebirigo Public Sanitation Facility	6,199,218.90	0	0	6,199,218.90	6,199,218.90	WSTF & Gwasco



APPENDIX III- INTER-ENTITY CONFIRMATION LETTER

Gusii Water and Sanitation Company Limited

The Company has not made any disbursement to any entity as at 30th June 2024 as indicated in the table below.

Confirmation of amounts received by Gusii Water and Sanitation Company as at 30 th June 2024						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30 th June 2024			Amount Received by [beneficiary entity] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
		No disbursement made	No disbursement made			
Total						
I confirm that the amounts shown above are correct as of the date indicated.						
Head of Accountants department of beneficiary entity:						
Name CPA JABED RASUUN		Sign		Date 13/12/2024		



Appendix IV: Reporting of Climate Relevant Expenditures

No expenditure has been committed on climate change during the financial year ended 30 June 2023

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
				-	-	-	-		

APPENDIX V: REPORTING DISASTER MANAGEMENT EXPENDITURE

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

No commitment has been received for disaster management expenditure



APPENDIX VI: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water		Recurrent							
Ministry/County Department of water.		Development							
USAID		Donor Fund							
name of Development partner/County department etc.		Direct Payment							
Total									

No Transfers have been received from Other Government Entities during the financial year ended 30 June 2024.