

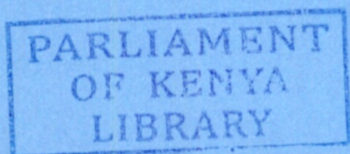
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL,

ON

**ISIOLO WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**

PAPERS LAID	
DATE	27/6/2023
TABLED BY	N.L.
COMMITTEE	CPC
CLERK AT THE TABLE	Angele



OFFICE OF THE AUDITOR GENERAL
UPPER EASTERN REGIONAL OFFICE - ISILOLO

23 JAN 2024

288
RECEIVED

P. O. Box 1027 - 60300 ISILOLO

ISILOLO WATER & SEWERAGE COMPANY LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

OFFICE OF THE AUDITOR GENERAL
UPPER MERRIMACK REGIONAL OFFICE - ISDLE

NOV 24

RECEIVED
P. O. BOX 1057 - 60300

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Table of Contents

Page

1. Acronyms and Glossary of Terms	ii
2. Key Entity Information	iii
3. The Board of Directors	v
5. Chairman’s Statement	viii
6. Report of the Managing Director	ix
8. Statement of Performance against Predetermined Objectives for FY 2022/2023	x
9. Corporate Governance Statement	xi
10. Management Discussion and Analysis	xiv
11. Environmental and Sustainability Reporting	xv
12. Report of the Directors	xvii
13. Statement of Directors’ Responsibilities	xviii
14. Report of the Independent Auditors for the financial statements of Isiolo Water and Sewerage Company Ltd	xx
15. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023. 1	
16. Statement of Financial Position as at 30 June 2023	2
17. Statement of Changes in Equity for the Year Ended 30 June 2023	3
18. Statement of Cash Flows for the Year Ended 30 June 2023	4
20. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023	5
21. Notes to the Financial Statements	8
APPENDICES	37
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	38

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

1. Acronyms and Glossary of Terms

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

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information

Background information

The company was incorporated in Kenya under cap.486 laws of Kenya. The company has a valid signed operation license with the Water Services Regulatory Board as a water service provider

Principal Activities

The principal activity of the Company is the provision of water and sewerage services within Isiolo Town and its environs.

Vision: To be the leading company in provision of water and sanitation services in Kenya.

Mission: To improve quality of life by providing safe, reliable, adequate and affordable water and sanitation services through commercially and environmentally sustainable approaches to the satisfaction of our customers and other stakeholders

Directors

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

No	Name	Position	Date of Appointment
1	Mr. WachuAbdi	Chairman	13/8/2018
2	Ms. AsiliSode	Director	13/8/2018
3	Mr Wilson Lemillion	Director	13/8/2018
4	Mr. AbdullahiSora	Managing Director	15/8/2018
5	CPA GodanaDida	Director	12/6/2023
6	CPA HabibaGalgalo	Director	12/6/2023

Company Secretary

Mr.KingoriMuriithi
MuriithiKingori& Associates
P. O Box 1494-10400
Nanyuki, Kenya

Registered Office

Airport Road
P.O. Box 491-60300
ISIOLO, KENYA

CorporateHeadquarters

P.O. Box 491-60300
Near County Water Department
Airport Road
Isiolo, KENYA
Nairobi, KENYA

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Corporate Contacts

Telephone: (254) 064-52283
E-mail: isiolowater@yahoo.com
Website: www.iwasco.or.ke

Corporate Bankers

Equity Bank
Isiolo Branch
P.O Box 197-60300
Isiolo

Consolidated Bank
Isiolo Branch
P.O Box 30238-60300
Isiolo

Co-operative
Bank
Isiolo Branch
P.O Box 30238-
60300
Isiolo

Independent Auditor







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

Principal Legal Advisers

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




**Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023**

3. The Board of Directors



<p>1.  Abdikarim Wachu, Chairman</p>	<p>Mr. WachuAbdi aged 39 years, joined the Board in 2018. He is a director representing faith based organizations. He holds certificate in IT from Mersburn Institute. He has led in Islamic preaching for over 15 years. He is a businessman too.</p>
<p> CPA Godana Dida, Director</p>	<p>Mr. GodanaDida aged 43 years joined the board in 2023. He is a director representing the county government of Isiolo. He holds Bachelor Degree in Business Administration. He is also CPA(K).</p>
<p>2.  AsliSode, Director</p>	<p>Ms Asli aged 67, joined the board in 2018. She is a director representing women organisations. She is currently the chairperson maendeleoyawanawake organisation (MYWO), Isiolo county. She has extensive experience in mass media having worked with the voice of kenya for more than a decade.</p>
<p>3.  Wilson Lemillion, Director</p>	<p>Mr Wilson aged 39, joined the board in 2018. He is a director representing Non-governmental organisations. He holds certificate in tour guiding and administration. He has vast experience in conservation affairs having worked as conservancy manager for many years.</p>
<p>4.  CPA Habiba Galgalo, Director</p>	<p>Ms. HabibaGalgalo aged 43 years joined the board in 2023. She is a director representing the county government of Isiolo. She holds Bachelor Degree in Business Administration. She is also CPA(K).</p>
<p>5.  Abdullahi Sora, Managing Director</p>	<p>Mr Abdullahi aged 53, is the current Managing Director. He has been the company's administrative manager for many years. He has vast knowledge of the company's operations. He holds Masters degree in purchase and supplies.</p>

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

4. Key Management Team

<p>1.</p>  <p>Name: Abdullahi Sora Qualifications: Master Degree in purchase and supplies, undergraduate degree in purchase and supplies, Diploma in business administration, registered member KISM</p>	<p>Managing Director</p>
<p>2.</p>  <p>Name: Nura Bonaya Qualifications: Undergraduate Degree in Finance, Masters Degree in Finance (on-going), CPA.</p>	<p>Finance and Commercial Manager</p>
<p>3.</p>  <p>Name: Joseph Waciuri Qualification: Undergraduate Degree in Business Administration, Diploma in Civil Engineering</p>	<p>Technical Manager</p>

**Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023**

<p>4. </p> <p>Name: Mariam Dida Qualifications: Undergraduate Degree in Human Resource , Diploma in IT</p>		<p>Human Resource and Administrative Manager</p>	
<p>5. </p> <p>Name: Cathrine Mwendwa Qualifications: Master Degree in project Management, Bachelor degree in business administration, CPA</p>		<p>Internal Auditor</p>	

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

5. Chairman's Statement

Once more, I am honoured to present the 2022/2023 annual report and accounts ending June 2023, for Isiolo Water and Sewerage Company Ltd in line with the company's Act, the water act 2016 and licensing conditions by the regulator.

Isiolo Water and Sewerage Company Ltd has grown from strength to strength over the years and is now a reference institution for the whole county in terms of efficient and effective water services provision.

This company faces many challenges including the scarcity of water sources, stiff competition with farmers upstream the river, especially so during dry periods of the year and repetitive droughts.

During the year under review, the company faced adverse effects of prolonged drought that affected the whole year. The company performance was negatively affected.

The demand for water surpasses the production i.e the current demand for water in Isiolo town and its environs stand at 12,000m³/day against the daily production of about 6,000m³/day.

However, the company has reached out to the county government, national government through the Northern water works Agency and Development partners to realize increase in supply to mitigate on the shortages.

The company enjoys an over whelming support from the stakeholders, customers and other bilateral organizations. The Board of Directors is trained on corporate governance, their roles and responsibilities hence adding value to the operations of the company.

Finally, may I thank the Managing Director, the Board of Directors of IWASCO for the good work, they have done over the years. It is my hope that sooner or later we shall avail more water to the residents of Isiolo. It is my hope and believe that this report reflects the financial status of the company



WachuAbdi

Chairman Board of Directors

Isiolo Water And Sewerage Company

6. Report of the Managing Director

It is with great pride that I once again present the Annual report and financial statement for the year ending 30th June 2023.

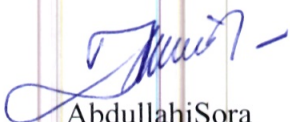
According to the Water services Regulatory Board reports, this company is among the few, that are well managed, progressive and result oriented. Over the years we have maintained high standard of integrity, efficiency and effectiveness in managing our resources.

The company has done well financially during the year under review.

We have involved the community we are serving and all our stakeholders in the decision making process of the company, hence effective communication with all those concerned.

The management team is mainly concerned with daily service delivery, which they do with utmost dedication, professionalism and efficiency.

Finally, I would like to thank the Board of Director's through the chairman for their strong support, understanding and guidance in all our operations, the staff of IWASCO for their courage, effectiveness and creativity.



Abdullahi Sora
Managing Director

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

8.Statement of Performance against Predetermined Objectives forFY 2022/2023

Isiolo Water &Sewerage Company Ltd (IWASCO) has five strategic objectives within its strategic plan for the FY 2018-2019-2022-2023. These strategic objectives are;

- Increase access to clean and safe drinking water and sanitation services
- Grow financial and commercial position and viability
- Provide timely, quality and reliable services.
- Strengthen organizational structures and operational processes.
- Strengthen people and communication systems

IWASCO develops its annual work plan based on the above five strategic objectives. Assessment of the Board’s performance against its annual work plan is done on quarterly basis. IWASCO achieved its performance targets set for the FY 2022-2023 period for its five strategic objectives, as indicated in the diagram below;

Strategic Objective	Key performance indicator(s)	Activities	Achievements
Increase access to clean and safe drinking water and sanitation services	-Increase in water connections -Increase in sewer connections -Increase in coverage	-Extension of water services -Extension of sewer services	-Extended water services by 15km -Extended sewer services by 3.5km -Increased coverage from 92% to 95%
Grow financial and commercial position and viability	-Increase in o & m cost coverage	-Increase in production to increase sales -Checking on operating expenses	-increase in production by 500m ³ -Reduction in the operating expenses
Provide timely, quality and reliable services.	Enhanced services hours	Injecting more water into the system	Increased service hours from 21hrs/day to 22hrs/day
Strengthen organizational structures and operational processes.	-Improved company performance -Improved services quality	-Undertake change management training for all staffs and BoD -Develop workplace policies that are flexible and friendly to the staff -Institute the culture of continuous improvement in all departments and promote health competition	-BoD were trained -Staffs were trained on performance management -Human resource, data management and performance management policies under review and development
Strengthen people and	-Good staff	-Develop robust	-Performance

**Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023**

communication systems	performance -Motivated staff -Low staff turn over	performance management systems that reward and celebrate good performance -Conduct periodic staff satisfaction survey and undertake remedial measure as informed by the survey -Develop framework for staff development and retention.	management policy under development -
-----------------------	---	--	--

9. Corporate Governance Statement

Isiolo Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator. The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Isiolo residents and it's environ, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

Board appointments shall be transparent and competitive so as to ensure the public served has an opportunity to participate in decision making in service delivery that affects them. Vacant positions shall be advertised in the media and on the website of the WSP and the criteria set out by WASREB nationally shall be used. An ad hoc nominating committee of the board of directors comprising county and selectcommittee from two or three primary/key stakeholders shall assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a backgroundcheck to ensure the candidates add value to the entity.

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

The select committee shall receive the applications, vet them to ensure that they comply to the Fit and Proper Test plus the eligibility criteria and where necessary 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 WSP shall be given after ratification of names of the accepted directors at annual general meeting by the shareholder.

The letter must contain a termination clause on poor performance and misconduct and ensure that it captures that unless the board is retired due to poor performance a third of the members shall retire every year from the third year. Board members shall serve a maximum of six (6) years based on the approval of the shareholder and on performance issues.

Before a board member begins to serve, he/she must be inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003. The list of ratified board members and the stakeholder group they represent shall be maintained on the website of the WSP and shall be communicated to water Services Regulatory Board (WASREB). It is important that board service is not disrupted by the election cycle and independent oversight must not be compromised by the election cycle.

Board succession and period in office; the shareholder must avoid a situation where all Board members retire at the same time in order to ensure institutional memory. In order to avoid this situation, one third of the Board members other than those from the County Governments, shall retire from office by rotation every year starting from the third year after appointment. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot. The retiring members shall be required to reapply for their positions if they are eligible for reappointment. The county water department as function owner is advised to use annual performance evaluation of the board of directors and WSP to assess suitability of reapplying members and the need to make changes to improve performance. The remuneration of the Directors shall be within the national benchmarks set in the water services sector in reference to ability to pay and shall be by way of sitting allowances only. Any director who, being so

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

requested by the Board of Directors, performs special or extraordinary services on behalf of the company, or who travels outside Kenya for the purpose of discharging his duties may be paid such extraremuneration as the Board of Directors may determine, provided that the rates of such extra remuneration shall be those approved in the sector by the regulator.

The roles and functions of the Board of directors include;

- Appointing a Managing Director and senior management team competitively.
- Borrowing or raising money for the company operations within guidelines issued in the sector.
- Appointing any company or firm to be Advocate or Advocates of the Company to carry out any legal undertakings of the Company as it may be deemed fit.
- Implementing of the company's Memorandum and Articles of Association provide guidelines and control the functions of the Company.
- Causing minutes to be made in books.

The Board has an approved charter to guide its operations and functions.

During the year under review, four board and twelve committee meetings were held. All committee meetings were fully attended.

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

10. Management Discussion and Analysis

The management is pleased to report that the company's operational efficiency has improved significantly during the period under review. The non-revenue water has not increased from 30%.

There were over 687 additional clients that were connected for the services. The company has employed latest technologies like extending services using HDPE pipes which are better than UPVC pipes.

The company met its financial obligations without defaulting. The budgetary expectations were met.

There was no staff turnover during the year. The company took section heads for refresher training during the period under review. This has really improved staff morale and performance levels.

The company fully complied with statutory requirements, both financial and legal. This excites as the company faces no risk of invalid business operations.

The year was generally a success despite the adverse effects of prolonged drought.

Comparison of the company profitability is as tabulated below;

FY	Profit/Loss (Ksh)
2020-2021	2,869,315
2021-2022	(51,386)
2022-2023	(714,854)

11. Environmental and Sustainability Reporting

Isiolo water & sewerage Company Ltd (IWASCO) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability

i) Sustainability strategy and profile –

The company has made deliberate efforts to increase production, reduce non-revenue water, increase sewer service lines, extend water services and employ latest technologies in service delivery to better its performance and sustain delivery of reliable services. Despite adverse climatic changes and exploding population, IWASCO has served its clients to satisfaction.

ii) Environmental performance

IWASCO employs environmentally sustainable approaches in its service delivery. The company has responded to all bursts, be it sewer or water in the shortest time possible to check on the degradation of its business environment. The discharge from its waste water treatment plant meets the required standards. The company has participated in tree planting activities to protect the catchment areas. Environmental management and coordination act, 1999, world health organization standards and water services regulatory Board (WASREB) standards guide the company in its environmental performance

iii) Employee welfare

Company employees are its greatest asset. IWASCO has a good human resource management policy. The policy clearly guides the company on hiring, training, developing, disciplining and rewarding of staffs. It advocates for gender parity in engagement of employees. The policy has best flexibility where, all stakeholders have equal stake in its reviews and improvements.

iv) Market place practices-

a) Responsible competition practice.

IWASCO handles its clients, suppliers and competitors with utmost care. It operates an anticorruption policy. The price of services is regulated to ensure affordability. The clients enjoy best of services and products of highest quality at the most affordable prices.

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

b) Responsible Supply chain and supplier relations

The company meets its obligations as they fall due without fail. The company suppliers enjoy prompt payments for goods delivered as enforced through the company's financial manual.

c) Responsible marketing and advertisement

As a monopoly within its jurisdiction, the company faces zero competition. Its marketing is run inform of public information to the clients on radio shows, public fora, client clinics and bulk SMSs.

d) Product stewardship

Kenya bureau of standards, WHO standards and the regulator's consumer engagement guidelines suffice in ensuring that the company gives the clients best of products.

v) *Corporate Social Responsibility / Community Engagements*

Isiolo Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator. The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Isiolo residents and it's environ, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

12. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Isiolo water & Sewerage Co. Ltd's affairs.

i) Principal activities

The principal activity of the Company is provision of water and sewerage services within Isiolo Town and its environs

ii) Results

The results of the entity for the year ended June 30, 2023 are set out on page 1-4. Below is summary of the profit or loss made during the year;

Income (Kshs.)	Expenses (Kshs)	Profit/Loss (Kshs)
106,709,546	107,424,400	(714,854)

iii) Dividends

There is no dividend recommended for pay out. Under water act 2016, this is a non-profit, public service delivery entity.

iv) Directors

The members of the Board of Directors who served during the year are shown on page vii & viii

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.

By Order of the Board

Name: Abdullahi Sora
Secretary to the Board

Signature:  Date: 25/9/2023

13. Statement of Directors' Responsibilities

Section 81 of the public finance management act, 2012 and section 164 of the water act 2016, require the directors to prepare financial statements in respect of isiolo water and sewerage co.ltd, 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 company for the period. The directors are also required to ensure that Isiolo water and sewerage co.ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safe guarding the assets of the company. The directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on 30th June 2023. These responsibilities include:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
3. 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.
4. Safeguarding the assets of the company.
5. Selecting and applying appropriate accounting policies
6. Making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with international financial reporting standards (IFRS), and in the manner required by the PFM act and the state corporations act.

The directors are of the opinion that the company's financial statements give a true and fair view of the company's transactions during the financial year ended 30th June 2023, and of the company's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the company which have been

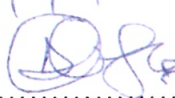
○

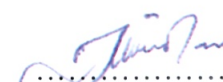
relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the board on
25/9/2023 and signed on its behalf by;


.....
Wachu Abdi
Chairman


.....
Abdullahi Sora
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON ISIOLO WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Isiolo Water and Sewerage Company Limited set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

Report of the Auditor-General on Isiolo Water and Sewerage Company Limited for the year ended 30 June, 2023

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Isiolo Water and Sewerage Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Un-Supported Board Expenses

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflect Kshs.254,800 in respect to board expenses. However, the Company Registration Form 12 (CR12) which provides official confirmation about the directors of a company by the Registrar of Companies was not provided for audit review to confirm that the list of board of directors as disclosed in the financial statements is the same as the list of board of directors held at the state law office.

In the circumstances, the propriety and completeness of the Kshs.254,800 expenditure could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

The audit report for the previous year highlighted several issues in respect of the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management has indicated that the issues have been resolved, the matters have remained unresolved as the County Assembly Public Account and Investment Committee has not met to deliberate on the same.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

Note 10 (b) to the financial statements reflects staff costs of Kshs.54,710,693 which represents fifty-one (51%) of the total revenue of Kshs.106,709,546. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that a County Government entity's wages and benefits for its public officers should not exceed thirty-five (35) percent of its total revenue.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

Excessive Non-Revenue Water (NRW)

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects Kshs.101,717,095 in respect to operating revenue which includes Kshs.77,231,730 in respect to sale of water. The Company produced a total 2,147,913 cubic meters (M³) of water during the year under review. However, only 1,507,078 M³ was billed to customers. The balance of 640,835 M³ (or approximately 30%) of the total volume of water produced represented Non-Revenue Water (NRW). The 30% Non-Revenue Water is 5% above the allowable loss of 25% of every cubic meter of water produced as provided by schedule E of the

Water Service Regulatory Board (WASREB) guidelines. The excessive Non-Revenue Water (NRW) of 103,857 cubic meters may have resulted in loss of sales estimated at Kshs.6,646,848 at the rate of Kshs.64 per M³.

In the circumstances, Management has not initiated/implemented appropriate controls to address or contain losses from Non-Revenue Water.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 March, 2024

Isiolo Water & Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.

	Note	2022-2023	2021-2022
		Kshs	Kshs
REVENUE			
Operating Revenue	6	101,717,095	93,963,815
Finance Income	8	53,698	62,985
Other Income	9	4,938,753	5,415,815
TOTAL REVENUE		106,709,546	99,442,615
EXPENSES			
Staff costs	10	54,710,693	55,010,989
General and operation expenses	11	7,679,579	8,147,926
Board Expenses	12	254,800	1,415,851
Maintenance Expenses	13	39,259,657	32,787,637
Depreciation and Amortization Expenses	14	5,078,445	2,019,010
Finance Costs	15	124,601	112,588
TOTAL EXPENSES		107,107,775	99,494,001
PROFIT/(LOSS) BEFORE TAXATION		(398,229)	(51,386)
INCOME TAX EXPENSE/(CREDIT)	16	-	-
PROFIT/(LOSS) AFTER TAXATION		(398,229)	(51,386)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation			
Fair value gain/(loss) on investments in equity instruments	17	(316,625)	(702,100)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(714,854)	(753,486)


Isiolo Water & Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

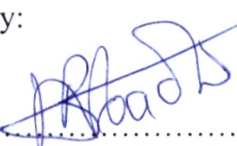
16. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
Kshs			
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	39,354,572	18,071,739
Quoted investments	17	743,750	1,060,375
Total Non-Current Assets		40,098,322	19,132,114
Current Assets			
Inventories	19	2,958,256	4,465,032
Receivables and prepayments	20	5,518,080	5,359,562
Bank and cash balances	21	16,872,137	11,382,211
Total Current Assets		25,348,473	21,206,805
Total Assets		65,446,795	40,338,919
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share capital	22	100,000	100,000
Capital /Development Fund	33	66,269,647	40,269,707
Retained Earnings		(14,736,832)	(14,021,978)
Capital and Reserves		51,632,815	26,347,729
Total Non-Current Liabilities			
Current Liabilities			
Customer Deposits	27	11,262,751	10,492,751
Payables and accruals	26	2,551,229	1,982,133
Overdrawn Cash Balance	34	0	1,516,306
Total Current Liabilities		13,813,980	13,991,190
TOTAL EQUITY AND LIABILITIES		65,446,795	40,338,919

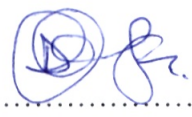
The financial statements were approved by the Board on 25/9/2023 2023 and signed on its behalf by:



 Managing Director
Abdullahi Sora



 Head of Finance
Nura Bonaya



 Chairman of the Board
Wachu Abdi

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary Share capital	Capital/ Development fund	Retained Earnings	Total
As at July 1, 2021		100,000	40,924,938	(13,970,592)	27,054,346
Fair value adjustment on quoted investments		-	-	-	-
Profit for the year		-	-	(51,386)	(51,386)
Capital/Development grants received during the year		-	16,537,380	-	16,537,380
Amortisation of grant reserve		-	(17,192,611)	-	(17,192,611)
As at June 30, 2022		100,000	40,269,707	(14,021,978)	26,347,729
As at July 1, 2022		100,000	40,269,707	(14,021,978)	26,347,729
Revaluation gain		-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-
Profit for the year		-	-	(714,854)	(714,854)
Capital/Development grants received during the year		-	30,905,443	-	30,905,443
Amortisation of grant reserve		-	(4,905,503)	-	(4,905,503)
At June 30, 2023		100,000	66,269,647	(14,736,832)	51,632,815

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		106,948,862	91,162,428
Grants Income		22,685,526	0
Finance Income		53,698	62,985
Other Income		4,938,753	5,415,815
Customer Deposits		770,000	856,000
Total Receipts		135,396,839	97,497,228
Payments			
Staff costs		(54,710,693)	(55,010,989)
General and Operation Expenses		(7,679,579)	(8,147,926)
Board Expenses		(254,800)	(1,415,851)
Maintenance Expenses		(39,259,657)	(32,787,637)
Finance Costs		(124,601)	(112,588)
Refund of customer Deposits		(0)	(0)
Total payments		(102,029,330)	(97,474,991)
Net cash from/(used in) operating activities		33,367,509	22,237
Cash flows from investing activities			
Purchase of property, plant and equipment(PPE)		(26,361,277)	(2,211,520)
Proceeds from Disposal of PPE		0	0
Purchase of intangible assets		0	0
Purchase of investment property		0	0
Purchase of quoted investment		0	0
Proceeds from Disposal of quoted investment		0	0
Net cash flows from/(used in) investing activities		(26,361,277)	(2,211,520)
Cash flows from financing activities			
Proceeds from issue of New share capital		0	0
Proceeds from borrowings		0	0
Repayment of borrowings		(1,516,306)	(1,774,265)
Dividends paid		0	
Net cash flows from/(used in) financing activities		(1,516,306)	(1,774,265)
Increase/(Decrease) in cash and cash equivalent		5,489,926	(3,963,448)
Cash and cash equivalents at 1/7/2022		11,382,211	15,345,659
Cash and cash equivalents as at 30/6/2023		16,872,137	11,382,211

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

19. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30
June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e = e-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Sale of water	77,180,505	-	77,180,505	77,231,730	(51,225)	100%
Sale of sewer	24,402,980	-	24,402,980	24,485,365	(82,385)	100%
Other income						
Meter Rent	2,725,000	-	2,725,000	2,728,702	3,702	100%
Exhauster Hire	143,500	-	143,500	144,000	(500)	100%
Investment income	50,000	-	50,000	53,698	3,698	107%
Water Boozer	100,000	-	100,000	102,000	2,000	102%
Owner's Request	5,000	-	5,000	0	5,000	0%
Meter testing fee	23,500	-	23,500	24,000	(500)	102%
Sewer connection fee	137,000	-	137,000	137,500	(500)	100%
Compressor Hire	10,000	-	10,000	0	10,000	0%
Sewer unblocking fee	5,000	-	5,000	5,000	-	100%
Other miscellaneous income	1,800,000	-	1,800,000	1,797,550	2,450	100%
Gain on investment	5,000	-	5,000	0	5,000	0%
Grant from county/National Govt	0	-	0	0		
Total income	106,587,485		106,587,485	106,709,545	(122,060)	100%
Expenses						
Administration						
Salaries & allowances	31,521,500	-	31,521,500	31,521,272	228	100%
Staff welfare	1,714,850	-	1,714,850	1,714,306	544	100%
Office supplies	1,651,000	-	1,651,000	1,650,921	79	100%
Training	10,000	-	10,000	0	10,000	0%
Telephone & Email	663,500	-	663,500	663,231	269	100%
Professional fees	205,000	-	205,000	205,000	0	100%
Travelling &	1,910,800	-	1,910,800	1,910,738	62	100%

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

subsistence						
Board expenses	255,000	-	255,000	254,800	200	100%
Casual wages	2,773,500	-	2,773,500	2,773,300	200	100%
Postage & Delivery	51,500	-	51,500	51,479	21	100%
Leave Allowances	510,000	-	510,000	508,500	1,500	100%
Advertisement, Printing & Reproduction	212,500	-	212,500	212,533	33	100%
Social Responsibility	30,000	-	30,000	0	30,000	0%
Stationery	526,000	-	526,000	525,987	13	100%
Sewer line maintenance	2,500,000	-	2,500,000	2,459,690	40,310	98%
NSSF	777,000	-	777,000	776,520	480	100%
Pension	16,035,000	-	16,035,000	16,032,663	2,337	100%
Gratuity	1,385,000	-	1,385,000	1,384,132	868	100%
Bank Charges	124,800	-	124,800	124,601	199	100%
Total Administration Expenses	62,856,950		62,856,950	62,769,673	87,277	100%
Operation, Maintenance & Distribution Expenses						
Capacity building	686,600	-	686,600	686,566	34	100%
Chemicals	5,225,000	-	5,225,000	5,222,128	2,872	100%
Laboratory Chemicals	205,600	-	205,600	205,552	48	100%
License & Permits	10,000	-	10,000	6,000	4,000	60%
Regulatory fees	2,550,000	-	2,550,000	2,546,586	3,414	100%
Water abstraction levy	980,000	-	980,000	971,564	8,436	99%
Subscriptions	43,000	-	43,000	42,600	400	99%
Motor vehicle running Expenses	8,655,000	-	8,655,000	8,653,817	1,183	100%
Motor vehicle Insurance	312,600	-	312,600	312,559	41	100%
Pipes & Fittings	9,700,000	-	9,700,000	9,693,058	6,942	100%
Production costs	28,000	-	28,000	27,500	500	98%
Repairs	1,624,700	-	1,624,700	1,624,637	63	100%

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Electricity	8,442,900	-	8,442,900	8,442,690	210	100%
Depreciation	5,080,000	-	5,080,000	5,078,445	1,555	100%
Billing	825,000	-	825,000	824,400	600	100%
Total O&M & Distribution Expenses	44,368,400		44,368,400	44,338,102	30,298	100%
Totalexpenditure	107,225,350		107,225,350	107,107,775	117,575	100%
Surplusfortheperiod						

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

20. Notes to the Financial Statements

1. General Information

Isiolo water & sewerage Co.Ltd is established by and derives its authority and accountability from Company's Act cap 486. The entity is wholly owned by the Isiolo County Government and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

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

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

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

The entity did not early – adopt any new or amended standards in year 2022/2023

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and printers	30%
Office furniture and fittings	12.5%
Sewer Extension	12.5%
Water Extension	12.5%
Tools and equipment	12.5%
Water meters and equipment	12.5%

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Deferred Tax

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2007. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

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

a. Service concession arrangements

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b. Comparative figures

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

c. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

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

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

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

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continues)

6. Operating Revenue

	2022-2023	2021/2022
	Kshs	Kshs
Water sales		
July	6,591,559	6,471,293
August	6,823,532	5,632,263
September	6,576,334	6,031,467
October	6,566,463	6,241,329
November	6,515,331	5,841,099
December	6,641,095	4,055,474
January	6,198,778	6,068,839
February	6,198,671	6,068,799
March	6,163,769	5,915,632
April	6,630,113	6,651,263
May	6,180,215	6,098,666
June	6,145,870	5,980,118
Sub-total	77,231,730	71,056,242
Sewer Sales		
July	2,150,941	1,812,544
August	2,301,068	1,807,199
September	2,108,724	1,854,782
October	2,098,140	1,805,886
November	2,119,186	1,860,524
December	2,158,637	2,003,641
January	1,986,438	1,834,682
February	1,867,813	2,241,521
March	1,988,741	2,204,344
April	2,017,423	1,735,840
May	1,807,953	2,022,619
June	1,880,301	1,723,991
Sub-total	24,485,365	22,907,573
Total	101,717,095	93,963,815

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

7. Grants Income

	2022-2023	2021/2022
	Kshs	Kshs
Capital grants amortised	22,685,526	0
Operational grant from Unicef	8,536,542	0
Total	31,222,068	0

8. Finance Income

	2022-2023	2021/2022
Description	Kshs	Kshs
Dividends	53,698	62,985
Total	53,698	62,985

9. Other Income

	2022-2023	2021/2022
Description	Kshs	Kshs
Meter Rent	2,728,702	2,585,905
Water Boozer	102,000	100,500
Meter testing fees	24,000	31,500
Sewer connection fees	137,500	105,000
Exhauster Hire	144,000	228,000
Compressor Hire	0	20,000
Sewer unblocking Fees	5,000	0
Other miscellaneous receipts	1,797,551	2,344,910
Total	4,938,753	5,415,815

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

10. Staff Costs

Description	2022-2023	2021/2022
	Kshs	Kshs
Salaries and allowances	31,521,272	31,514,272
Casual Wages	2,773,300	5,071,626
NSSF	776,520	784,710
Pension	16,032,663	14,761,936
Leave pay	508,500	494,000
Gratuity	1,384,132	1,128,716
Staff welfare	1,714,306	1,255,729
Total	54,710,693	55,010,989

11. General and Operations Expenses

Description	2022-2023	2021/2022
	Kshs	Kshs
Office supplies	1,650,921	1,579,067
Training	0	138,034
Telephone & Email	663,231	638,380
Professional Fees	205,000	253,576
Travelling & subsistence	1,910,738	1,444,300
Postage & Delivery	51,479	33,835
Advertising, printing & Reproduction	212,533	845,059
Social Responsibility	0	0
Stationeries	525,987	253,825
Sewerline maintenance	2,459,690	2,961,850
Total	7,679,579	8,147,926

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

12. Board Expenses

Description	2022-2023	2021/2022
	Kshs	Kshs
Honoraria	184,800	123,200
Directors' Allowances	70,000	500,000
Directors' Training	0	763,500
Other miscellaneous Expenses	0	29,151
Total	254,800	1,415,851

13. Maintenance Expenses

Description	2022-2023	2021/2022
	Kshs	Kshs
Capacity building & meetings	686,566	1,191,934
Chemicals	5,222,128	639,346
Lab chemicals	205,552	124,950
License & permits	6,000	125,000
Regulatory Fees	2,546,586	2,736,698
Water Abstraction Levy	971,564	1,270,095
Subscriptions	42,600	205,000
Motor Vehicle running expenses	8,653,817	8,017,321
Motor vehicle insurance	312,559	62,562
Pipes & fittings	9,693,058	8,545,534
Production cost	27,500	93,600
Repairs	1,624,637	2,121,172
Electricity	8,442,690	7,145,104
Billing	824,400	509,321
Total	39,259,657	32,787,637

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

14. Depreciation and Amortization Expenses

Description	2022-2023		2021/2022
	Kshs		Kshs
Depreciation	5,078,445	2,019,010	
Total	5,078,445	2,019,010	

15. Finance Costs

Description	2021-2022		2021/2022
	Kshs		Kshs
Bank Charges	124,601	112,588	
Total	124,601	112,588	

16. Income Tax Expense/(Credit)

Current taxation

	2022-2023		2021/2022
	Kshs		Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-	
Total	-	-	

17. Quoted Investment

	2022-2023		2021/2022
	Kshs		Kshs
Opening valuation	1,060,375		1,762,475
Fair value gains/(losses)	(316,625)		(702,100)
Closing valuation	743,750		1,060,375

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

2022-2023	Computers & Printers	Plant Improvement	Motor Vehicle	Sewer Extensions	Water Extensions	Water Meters & Equipments	Building	Tools & Equipments	Office Furniture & Fittings	Total
COST/VALUATION	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2023	4,648,765	1,733,972	7,445,642	7,122,736	1,991,503	15,557,916	8,181,472	1,935,699	1,280,066	49,897,771
Additions	253,240	-	-	-	25,275,037	659,000	-	78,000	96,000	26,361,277
On Disposal	-	-	-	-	-	-	-	-	-	-
As At 30 June 2023	4,902,005	1,733,972	7,445,642	7,122,736	27,266,540	16,216,916	8,181,472	2,013,699	1,376,066	76,259,048
DEPRECIATION										
At 1 July 2023	4,256,717	1,483,893	7,098,447	6,022,745	1,100,568	7,500,343	1,861,410	1,571,551	930,358	31,826,032
On disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	193,586	31,260	86,798	137,499	3,270,747	1,089,572	158,001	55,268	55,713	5,078,444
At 30 June 2023	4,450,303	1,515,153	7,185,245	6,160,244	4,371,315	8,589,915	2,019,411	1,626,819	986,072	36,904,476
NET BOOK VALUE										
At 30 June 2023	451,702	218,819	260,397	962,492	22,895,225	7,627,001	6,162,061	386,880	389,995	39,354,572

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023

2021-2022	Computers & Printers	Plant Improvement	Motor Vehicle	Sewer Extensions	Water Extensions	Water Meters & Equipments	Building	Tools & Equipments	Office Furniture & Fittings	Total
COST/VALUATION	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2021	4,466,165	1,733,972	7,445,642	7,122,736	1,991,503	13,528,996	8,181,472	1,935,699	1,280,066	47,686,251
Additions	182,600	-	-	-	-	2,028,920	-	-	-	2,211,520
On Disposal	-	-	-	-	-	-	-	-	-	-
As At 30 June 2022	4,648,765	1,733,972	7,445,642	7,122,736	1,991,503	15,557,916	8,181,472	1,935,699	1,280,066	49,897,771
DEPRECIATION										
At 1 July 2021	4,088,696	1,448,168	6,982,715	5,865,604	973,291	6,349,262	1,699,357	1,519,530	880,399	29,807,022
On disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	168,021	35,725	115,732	157,141	127,277	1,151,081	162,053	52,021	49,959	2,019,010
At 30 June 2022	4,256,717	1,483,893	7,098,447	6,022,745	1,100,568	7,500,343	1,861,410	1,571,551	930,358	31,826,032
NET BOOK VALUE										
At 30 June 2022	392,048	250,079	347,195	1,099,991	890,935	8,057,573	6,320,062	364,148	349,708	18,071,739

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023
Notes to the Financial Statements (Continued)

19. Inventories

	2022-2023	2021/2022
	Kshs	Kshs
Chemicals	1,960,430	3,381,959
Pipes & Fittings	997,826	1,083,073
Total	2,958,256	4,465,032

20. Trade and Other Receivables

	2022-2023	2021/2022
	Kshs	Kshs
Trade receivables	4,772,852	4,742,771
Employee Advances	471,500	426,500
VAT recoverable	-	-
Other	177,937	177,937
Insurance prepayments	95,791	12,354
Net trade and other receivables	5,518,080	5,359,562

21. Bank and Cash Balances

	2022-2023	2021/2022
	Kshs	Kshs
Cash at bank	16,868,300	11,378,374
Cash in hand	3,837	3837
	16,872,137	11,382,211

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023
Notes to the financial Statements (Continued)

22. Ordinary Share Capital

	2022-2023	2021/2022
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of KShs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of KShs.20 par value each	100,000	100,000

Notes to the Financial Statements (Continued)

23. Revaluation Reserve

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

24. Fair Value Adjustment Reserve

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

25. Retained Earnings

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

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	8,078	8,078
Audit fees	837,900	837,900
Withholding tax control	718,588	532,006
Other payables & accruals	391,142	8,628
Vat Control	(101,819)	(101,819)
Income Tax	697,340	697,340
Total	2,551,229	1,982,133

27. Consumer Deposits

	2022-2023	2021-2022
	Kshs	Kshs
1/7/2022	10,492,751	9,636,751
Additions in the year	770,000	856,000
Total	11,262,751	10,492,751

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Related Party Disclosures

County Government of Isiolo

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

Other related parties include:

- i) Key management
- ii) Board of Directors

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Key management compensation		
i) Compensation to the MD	2,126,000	2,126,000
ii) Compensation to the management	3,588,000	3,568,000
Total	5,714,000	5,694,000

29. Financial Risk Management

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

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

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

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

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

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

i) Management of interest rate risk

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

30. Incorporation

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

31. Events After The Reporting Period

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

32. Currency

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

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023

**33. Capital/
 Development Fund**

Particulars	Balance at 1/7/2022	Grants received in the year	Usage	Balance at 30/6/2023
	Kshs.	Kshs.	Kshs.	Kshs.
Water infrastructure inherited from local government	28,685,450	22,685,526	-	51,370,976
Sewer infrastructure inherited from local government	6,751,445	-	-	6,751,445
Chemicals	4,832,812	8,536,542	(5,222,128)	8,147,226
Total	40,269,707			66,269,647

34. Overdrawn cash balance


	2022-2023	2021-2022
	Ksh.	Ksh.
Consolidated bank Overdraft	-	1,516,306

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended 30th June 2023
APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Non-conformity with the standard financial reporting template	The statements will be adjusted to conform	Resolved	
2.0	Inaccurate payables and accruals	The figures will be confirmed and adjusted to accuracy	Resolved	Continuous
3.0	High unaccounted for water	The company will work in reducing the lost volumes to the acceptable levels	Resolved	Continuous
4.0	Unapproved expenditure in acquiring property, plant and equipment	The company will provide documents to show that the expenditures were sanctioned by the Northern water services board	Resolved	
7.0	Non-conforming presentation of financial statements	The management will avail the missing information to conform	Resolved	Continuous

Signature: 

Date: 25/9/2023

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

There were two water projects implemented by the company

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.Kiwanjani water project	08W/ISIOLO/ISIOLO/38	Water sector Trust Fund	2022/2023		Yes	Yes
2. Hospital Borehole project	MOU	Gatsby Africa	2022/2023		Yes	Yes