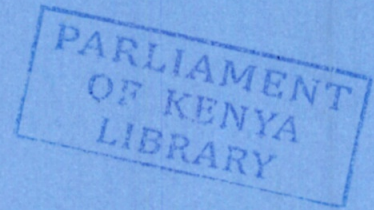


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



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OF

THE AUDITOR-GENERAL

ON

**KIAMBERE MWINGI WATER AND
SANITATION COMPANY LIMITED**

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

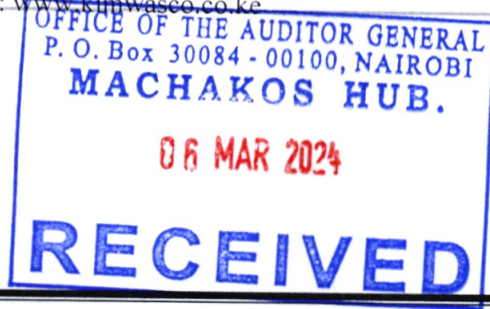


KIMWASCO Water is life



P. O. Box 656 90400, Mwingi. Tel: 0717 032 223 / 0782 541 997

E-mail: kimwasco@gmail.com Website: www.kimwasco.co.ke



KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2023**

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

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

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KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

I. KEY ENTITY INFORMATION

Background information

The Kiambere Mwingi Water & Sanitation Company Limited was established by the Companies Act CAP 486 laws of Kenya on May 2009. The company is represented by the Kitui County CECM responsible for Agriculture, Water & Irrigation who together with the board of Directors are responsible for the general policy and strategic direction of the Company.

The Kiambere Mwingi Water & Sanitation Company Limited is domiciled in Kenya, Kitui County, Mwingi Sub County and has satellite offices in Kyuso and Migwani markets. Its water production plant is situated at Kiambere Dam.

Principal Activities

The principal activities of the company are to supply and distribute potable water and provide basic sanitation within the Larger Mwingi region of Kitui County. Its Vision, Mission and Core values are as follows: -

VISION:

- A model water and sanitation services provider.

MISSION:

- To improve the wellbeing and quality of life of our stakeholders through effective provision of quality reliable and affordable water and sanitation services.

CORE VALUES:

- Professionalism
- Respect
- Integrity
- Dedication
- Excellence

Directors

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

	NAME	POSITION	APPOINTED ON
1	Ms. Irene M. Mati	Chairperson	13/09/2021
2	Brig (Rtd) David M. Kambuni	Member	13/09/2021
3	Ms. Angela R. Musyoka	Member	13/09/2021
4	Mr. Anthony Naunga	Member (Alternate to CECM Finance)	13/09/2021
5	Mr. Philip Nzula	Member (Alternate to CECM Water)	13/09/2021

I. KEY ENTITY INFORMATION (Continued)

Corporate Secretary

The company has no Corporate Secretary. The MD performs the functions of Secretary during Board meetings.

Registered Office

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Headquarters

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Contacts

Telephone: 0717 032 223 / 0782 541 997

E-mail: kimwasco@gmail.com

Website: www.kimwasco.co.ke

Corporate Bankers

1. Equity Bank
Mwingi Branch
2. Co-operative Bank
Mwingi Branch
3. Kenya commercial bank
Mwingi Branch
4. Safaricom M-pesa Paybill
Nairobi

Independent Auditors

Auditor General

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



I. KEY ENTITY INFORMATION (Continued)

Principal Legal Advisers

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


2. Miller & Company Advocates, Commissioners for Oaths & Notaries public
13th Floor, Bruce House, Standard Street,
P. O. Box 45707 – 00100, Nairobi, Kenya.
Tel: 020 2248461 / 020 2248467
Email:info@milleradvocates.com

II. THE BOARD OF DIRECTORS




	Name	Photo	Date of birth, key qualifications & experience
1.	<p>Ms. Irene Martha Mati, ESK Chair lady</p>		<p>D.O.B – 11 December 1963, Masters in Economic Policy Management – Makerere University. Bachelors Economics and Business Studies (Honours) – Kenyatta University. PHD Development Studies – (On Going) – J.K.U.A.T. Experienced Financial Analyst, Strategic Planner and Economist in a wide field. work Experience includes; Managing Director – Africa Research and Development Consultancy. Lecturer – University of Nairobi, Catholic University of Eastern Africa and Kenya Technical Teachers College.</p>
2.	<p>Brig. (Rtd) David Kambuni Board Director</p>		<p>Born on 23/09/1955. Has a Diploma in International Studies and extensive training in the Military and Armed Forces from 1979. He has served in various Senior Military positions from 1979 to 2010.</p>

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED



**Annual Reports and Financial Statements
For the year ended June 30, 2023**

<p>3.</p>	<p>Ms. Angela Rhoda Musyoka Board Director</p>		<p>Born on 14/4/1973. Has a Bachelor of Commerce (Finance), Diploma in Accountancy and Currently pursuing CPA advanced level. She is currently serving as the Executive Director for the Center for Human Rights and Civic Education (CHRCE). She also served as a Finance officer/Administrator for the CHRCE and other organizations from 1988.</p>
<p>4.</p>	<p>Mr. Anthony Naunga Alternate Board Director</p>		<p>Born on 7/12/1967. Has a Bachelor of Arts in Economics & Sociology. He has served in administration as a County Clerk, currently working as a Director – Administration in the County Government of Kitui., with experience of over 22 years.</p>
<p>5.</p>	<p>Mr. Philip Nzula Alternate Board Director</p>		<p>Born on 30/12/1974. Has Bachelor of Science Soil, Water and Environmental Engineering with over 14 years of experience in water and administration.</p>
<p>6.</p>	<p>Mr. Paul Kinuba Managing Director</p>		<p>Born on 06/11/1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of over 20 years in various technical and managerial positions.</p>

III. MANAGEMENT TEAM

	Name	Photo	Date of birth, key qualifications & experience
1	Mr. Paul Kinuba		<p>Managing Director</p> <p>Born on 6th November 1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of over 20 years in various technical & managerial responsibilities.</p>
2.	Ms. June M. Munyao		<p>Finance & Administration Manager</p> <p>Born on 5th June 1975. Has a Bachelor of Commerce (Finance option), Masters Degree in Strategic Management and is a Certified Public Accountant (CPAK). She has over 15 years' experience in Financial Management.</p>
3.	Mr. David Nzuki		<p>Technical Manager</p> <p>Born on 23 August 1981 David M. Nzuki has a Bachelor of Science in Water and Environmental Engineering from Egerton University. He has over ten years post-graduation experience in water supply and has been involved in implementation of water projects in various parts of the country.</p>

MANAGEMENT TEAM (Continued)

4	Mr. Caleb Mwanzia James		Company Accountant Born on 23 rd February 1984. Has a Bachelor of Commerce (Finance), CPA 4, KATC intermediate and final certificates and a Diploma in Marketing. Work experience of twelve years as an accountant.
5	Ms. Penninah Mutio		Human Resources Officer Born on 5 th April 1976. Has a Secretarial Certificate stage 1 and 2, Diploma in Human Resource Management and a Degree in Project planning and management. Has work experience of 12 years as a Secretary and 7 years as Human Resource Officer.

IV. CHAIRMAN'S STATEMENT

The current Board of KIMWASCO which I chair comprises of five members two of which represent the County government of Kitui as the Principal and three represent other stakeholder groups.

The company currently supplies water to about 30% of the population in Mwingi, which means 70% of the population rely on other unreliable sources of water. The reason for this is that KIMWASCO relies on the Kiambere-Mwingi Water Supply Project which produces only 2,700m³ of water per day against the current demand of 20,000m³ per day. The project is also too old and prone to frequent breakages which make the water supply unreliable.

In addition, the cost of operation is too high due to high electricity bills incurred at Kiambere Treatment Plant because of water pumping. Therefore, the company relies on electricity subsidy from the County government of Kitui in order to sustain operations.

The Board seeks to address these problems in partnership with County government of Kitui as the principal, other development partners and stakeholders through the following initiatives:

1. Rehabilitate the phase 1 of the Kiambere - Mwingi water project and implement the phase 2 of the project.
2. Take stock of all the water resources within the company's area of jurisdiction with a view to developing them to provide alternative source of water and relieve pressure on the Kiambere - Mwingi water project.
3. Reduce cost of operation by installing solar power plants at main water treatment and pumping facilities.
4. Improve operational effectiveness and efficiency by adopting new technology in all KIMWASCO operations.

We believe that this will go a long way to improve water supply to the residents of Mwingi region.

Signature.....

Date.....

Irene Martha Mati, ESK
Board Chair

V. REPORT OF THE MANAGING DIRECTOR

Kiambere-Mwingi Water & Sanitation Company Limited Ltd (KIMWASCO) is in the business of providing potable water and basic sanitation services within the Mwingi region of the Kitui County. Our strategic objectives are:

Water and Sanitation Infrastructure Development

Operational Efficiency and Customer Satisfaction

Financial Sustainability

Institutional Development and Strengthening

Effective Corporate Governance

Since its incorporation in May 2009, the company has gone through difficult transition occasioned by the Water Act 2002, the Constitution of Kenya 2010 and the new Water Act 2016. Despite myriad difficulties posed by the transition, the company has gradually grown both institutionally and financially. It has over the years developed its own operational systems that have enabled it to meet its mandate of providing water and sanitation services to its customers.

In concrete terms, the company has since the year 2019 increased water connections from 3,792 to 4,907, the people served have increased from 68,000 to about 109,000,000 and its net income from positive Kshs. 19.1 million to negative Kshs. 3.9 million respectively.

The main challenges that inhibit growth at the desired pace include lack of enough water to supply (production of 2,800m³/day against current demand of 20,000m³/day), high cost of electricity that constitutes 35% of O&M cost, Non-Revenue Water (NRW) of about 39% due to old and dilapidated distribution network and old inaccurate water meters.

There is also the challenge of lack of skilled manpower at middle management level.

The foregoing notwithstanding, the Board, Management and staff are united in their collective effort to improve effectiveness and efficiency. Thus, concerted effort has been made to reduce the NRW to optimal level by installing accurate meters and addressing other causes. The company is also actively engaged in seeking infrastructure investment support from the County government of Kitui and other development partners in order to increase water production and distribution.

We appreciate the support given by the County government of Kitui by paying electricity bills to the tune Kshs.25 million in the financial year 2022/2023 and hope that this support will continue in order to sustain the services. Additionally, we hope our effort to seek infrastructure investment support will be successful.

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

REPORT OF THE MANAGING DIRECTOR, Continued....

Ultimately, the company aspires to attain self- financial sustainability after developing adequate water sources, expanding water supply & distribution infrastructure and adopting full cost recovery water tariffs.

Signature  Date 05/3/2024

Paul Kinuba
Managing Director

**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2022/2023**

Kiambere – Mwingi Water and Sanitation Company Ltd has 5 strategic themes and objectives within the current Strategic Plan for the FY 2018/2019 - FY 2022/2023. These strategic themes are as follows:

Theme 1: Water and Sewerage infrastructure development

Theme 2: Operational efficiency and customer service

Theme 3: Financial sustainability

Theme 4: Institutional Capacity Strengthening

Theme 5: Corporate governance

Kiambere – Mwingi Water and Sanitation Company Ltd develops its annual work plans based on the above 5 Themes. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2022/2023 period for its 5 strategic pillars, as indicated in the diagram below:

NO.	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
1.	Water and Sewerage infrastructure development	Increased Water Supply Coverage	Kilometers of pipeline done	Replace Gi pipes with HDPE Pipes	Sections prone to bursts replaced with HDPE pipes
				Extend water distribution net works	Water distribution networks extended
2.	Operational efficiency and customer service	Reduce Non-Revenue Water	Non-Revenue water reduced	Install zonal meters	9 zonal meters installed
				Constitute Non – Revenue Water Team	Non-Revenue Management team in place
				Replace old meters and non-functional meters	5 old and non-functional meters replaced
		Improve operational Efficiency	Boreholes installed with solar systems	Install solar systems at borehole production sites	3 (three) Solar systems installed at major bore production sites

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 202/2022 (Continued)**

	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
		Undertake water quality surveillance	Water storage tanks cleaned	Clean water storage tanks every quarter	Water storage tanks cleaned
			Water quality tests conducted monthly	Conduct monthly water quality tests	Water quality test undertaken
3.	Financial sustainability	Adopt new technology	All financial systems integrated	Install integrated Financial systems	Billing, Payroll and Accounting software in place
		Strengthen internal systems	Reviewed Finance and policy manual in place	Review and approval of finance manuals	Finance manual in place
				Implementation of the manual	Finance manual being implemented
		Increase Current Revenue Base	Increased water connections	Installation of new connections	159 new connections installed
			Increased water Tankering services	Water trucking to customers	Water trucked to customers
			Activated dormant connections	Activating new connections	Dormant connections activated
		Improve metering	Automated water dispensing machines installed at water kiosks	Install automated water dispensing machines at kiosks points	Water testing machine installed at the market kiosk
4.	Institutional Capacity Strengthening	Provide adequate operating Assets	Appropriate tools and equipment in place	Procure additional tools & equipment	Additional assorted tools & equipment Procured

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2021/2022 (Continued)**

	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
		Improve employees' terms & Condition of service	Approve scheme of service in place	Develop a scheme of service	Schemes of Service Developed
		Improve KIMWASCO branding	Approved Company Logo & Active Website	Improve the Company Logo and have it approved	Approved Company Logo in place
		Review & Improve organization culture	Values clearly described & explained	Perform change management activities	Sensitization on positive values done
		Improve HR Structure & systems	Operationalized staff remuneration structure	Update & operationalize Organizational structure	Updated & operationalized Organizational structure in place
5.	Corporate governance	Effective cooperate governance	Amended Memorandum & Articles which is aligned with new legislations	Amend the Memorandum & Articles of Association	Memorandum & Articles of Association Amended
			Board & Management trained on corporate governance	Train Board and Management on corporate governance	Board & Management trained on corporate governance
			New Board of Directors recruited	Fill vacant positions of the Board of Directors	New Board recruited through competitive process in line with the Articles and Memorandum of association

The performance targets have been tied with the performance contracts where each department had agreed strategic plan activities which were to be captured in the departments performance contracts and implemented in the 2022 - 2023 Financial year.

VII. CORPORATE GOVERNANCE STATEMENT

i. Board meetings

The Company's Board of Director's are required to hold four (4) full board meetings and four (4) committee meetings as per BOD meeting calendar. However, in the case of any special motions, the Board can call and hold a special meeting.

The Board of Directors held a total of 4 meetings during the Financial Year 2022/2023.

ii. Appointment of Directors

The Directors of the Company shall be appointed in line with corporate governance guidelines established by the Regulator from time to time. These will be the representatives of the stakeholder interest groups existing within the service area of the Company identified in consultation with the Principal (County Government of Kitui). According to the national standards prescribing the size of the companies, the maximum number of Directors of KIMWASCO shall be five (5) but this may be increased to a maximum of nine (9) when the company qualifies to join the large company category.

iii. Removal of Directors

A Director shall vacate office if;

- a) He is removed from the office pursuant to Section 185 of the Water Act 2016, or by special resolution by the company in General Meeting.
- b) He ceases to be a director by virtue of Section 184 and 186 of the Water Act 2016
- c) He becomes bankrupt or makes an arrangement of composition with his creditors
- d) He becomes prohibited from being a director by reason of any order under Section 189 of the Water Act 2016
- e) He becomes of unsound mind
- f) He fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, he shall cease to be a director
- g) He resigns his office by notice in writing to the company
- h) He or any persons to who has personal ties transacts business with the company
- i) He breaches the Code of Ethics & Conduct
- j) He ceases to be a representative of the stake holder entity that has appointed him/her
- k) He is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2016
- l) He becomes a director in any other water sector institution

iv. Roles and functions of the Board

- a) Appointing a Managing Director and senior management team through competitive advertising in the national media. Likewise, may revoke any such appointment in accordance with the terms and conditions of employment of the company.

CORPORATE GOVERNANCE STATEMENT (Continued)

- b) Responsible for implementation of the company's Memorandum and Articles of Association and guide and control the functions of the Company
- c) The Directors may within the PFM Act 2012 and Standards issued in the Water sector, exercise all the powers of the company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the company or any third party.
- d) Duly comply with the provisions of the Water Act 2016 or any statutory modification thereof for the time being in force
- e) The Directors may from time to time with the advice of the Managing Director and Company secretary appoint any company or firm to be Attorney of the Company to carry out any legal undertakings of the Company as it may be deemed fit.

v. Conflict of interest

A director, employee or their proxies shall not be eligible to trade and or in any way contract with the Company for the provision of goods and services

VIII. MANAGEMENT DISCUSSION & ANALYSIS

SECTION A

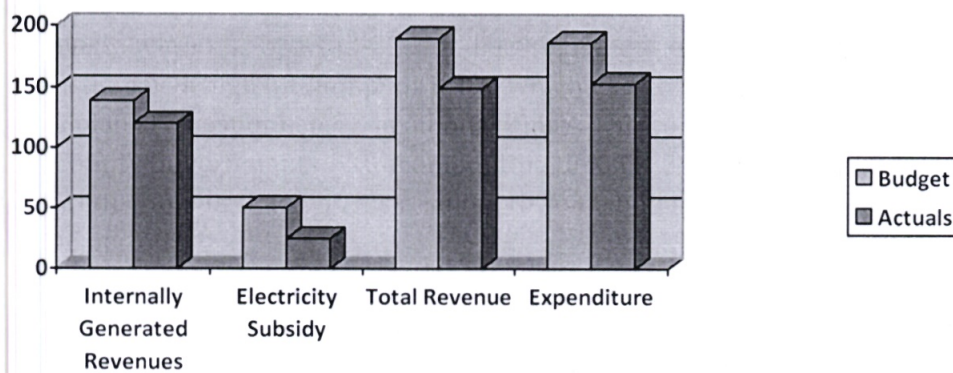
The entity's operational and financial performance

1. The internally generated income was Kshs. 19 m less than budgeted, mainly due to frequent pipe bursts along the main pipeline and consistent power outages at Kiambere Treatment Plant. The Company has begun overhauling the weak sections of the pipeline and replacing the weak sections prone to bursts and is also engaging the County Government of Kitui to solarize Kiambere Treatment Plant

2. The overall expenses were less by Kshs. 33.2 m. The high under expenditure was due to postponement of acquiring a high lift pump for K.T.P. which was to budgeted to cost Kshs. 16 m, review of strategic plan at a cost of Kshs. 2 m among others. The Company received electricity subsidy from the County Government of Kitui amounting to Kshs. 24.9 m and paid KPLC Kshs. 23.5 m for water production electricity. This resulted to some budgeted expenditures not to be incurred during the period.

3. The Company reported Expenses amounting to Kshs. 153 million and revenues amounting to Kshs. 149.4 million during the year under review.

4. Accumulated revenue reserves deficit in 2022/2023 declined from negative 2.9m to negative 16.9m. This was mainly due to a revaluation loss of 10.2 m incurred during the year. The current ratio declined from 4.0 in 2021/2022 to 2.1 in 2022/2023.



MANAGEMENT DISCUSSION & ANALYSIS (Continued)

SECTION B

Entity's compliance with statutory requirements

There were no known non-compliance cases that could result in contingent liabilities. There were no ongoing court cases and defaults that could lead to exposure.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Company received Kshs. 4.1 million from the Water Sector Trust Fund for implementation of CIPRA public sanitation and water supply projects at Kyuso town in conjunction with the County Government of Kitui. The projects will be implemented in FY 2022/2023 and FY 2023/2024.

SECTION D

Major risks facing the entity

There are several operational risks which include;

1. Silting of the raw water intake at Kiambere dam
2. Damage of some sections of the main Kiambere-Mwingi water pipeline as a result of massive soil erosion which results to high levels of NRW
3. Receding of water levels at the Kiambere dam to a point where water abstraction /pumping is not possible during prolonged dry seasons
4. Frequent power outages at the Kiambere Treatment Works
5. Lack of an alternative source of power at our main production site
6. Low levels of production in comparison to the current high demand.

SECTION E

Material arrears in statutory/financial obligations

There were no material arrears in statutory or financial obligations that could impact on the operations of the company.

SECTION F

The entity's financial probity and serious governance issues

There were no financial improbity or governance issues that could negatively impact on the company's operations.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kiambere - mwingi water & Sanitation Co Ltd exists to improve the wellbeing and quality of living of its stake holders through effective provision of quality reliable and affordable water and sanitation services. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a responsible corporate citizen, KIMWASCO embraces the policy of sustainable development. As such, it strives to conduct its business in a sustainable manner by conserving its water catchment areas, seeking NEMA consent before implementing major water and sanitation projects as well as engaging the local community in planning and implementation of projects.

The Company also educates its customers during public barazas on the importance of using water effectively to ensure that wastage is eliminated so that this limited resource can at least be shared equitably. They have also been educated on having enough storage facilities to store water for tomorrow's use when there is no flow within the pipe network.

Use of solar energy has been emphasised to reduce on high cost electricity bills especially at the borehole production sites hence making the projects sustainable.

ii) Environmental performance

The company seeks approvals from NEMA before implementing any major water and sanitation projects. Tree planting and gabion construction activities are conducted at least once per year as a way of reducing environmental impact on the organizations product. Waste management has also not been left behind as this is managed in collaboration with the County Government through the relevant offices mandated with the responsibility of ensuring effective waste management.

The fact that the demand for the commodity has been growing with increase in population, there has been a shortcoming on waste water management because there is no sanitation facility and especially in Mwingi Municipality. Waste has however been managed through the use of a Decentralised Treatment Facility(DTF) as well as working hand in hand with Mwingi Municipality Management.

iii) Employee welfare

The Company puts emphasis on improving skills and managing careers through conducting training. These trainings are paid for fully by the Company and at the same time staff are

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

encouraged to attend courses which can help them progress in their careers. As such, duty of to attend class and do exams are usually given to staff.

The Company has a performance management system where every staff is under performance contracting. Annual performance contracts are signed at the beginning of every year and appraisals done the basis upon which rewards and sanctions are given.

The Company has an occupational Safety and Health policy in place and complies with the Occupational Safety and Health Act of 2007. The Company premises are periodically inspected by a body registered to inspect work environments where the outcome and recommendations are implemented.

The company fills vacant positions competitively and gender issues are taken into consideration. Stake holder engagement has not been left behind as employee satisfaction surveys are done.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The Company staff are not involved in politics. However, since politics is inevitable, any signs of political interferences are addressed through the Board of Directors. Fair competition and respect for everyone has not been a challenge so far. We are a water Company which is licenced by the Water Services and regulatory Board and our prices are regulated. We sell our commodity to water vendors at the regulated prices and to this end, we do not see them as competitors but as our counterparts in water service delivery.

b) Responsible Supply chain and supplier relations

The company prepares an annual budget and procurement plan the basis upon which all procurement is anchored. To avoid pending bills, contracts are only issued upon confirmation of budgetary allocation and in line with the procurement plan. We strive to pay our suppliers after every thirty days after supply of goods or services.

c) Responsible marketing and advertisement

Given that we deal with a very important and sensitive commodity, we ensure effective customer communication through public barazas. Alert messages are also sent through

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

mass messages to our customer using our billing software which ensures timely information to our customers. Advertisement for prequalification of suppliers and contractors is done competitively as these are placed in the daily newspapers.

d) Product stewardship

Customer rights and interests are always safeguarded through public participation and consultation through the customer representatives who are elected by the consumers.

v) Corporate Social Responsibility / Community Engagements

As a provider of clean and safe drinking water and basic sanitation, we carry out our duties with due diligence to ensure quality and safety of our products and services. We strive to effectively play our role in nation building and take our corporate social responsibilities seriously.

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

X. 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 Kiambere - Mwingi Water and Sanitation Company Limited affairs.

Principal activities

The principal activities of the entity are to:

1. Supply and distribute potable water and provide basic sanitation.
2. Offer accompanying services such meter connection, meter calibration and servicing, repair or replace defective service lines.
3. Bill for services rendered and collect revenue from customers.
4. Carry out preventive and corrective maintenance of water T/Works facilities and water distribution networks.
5. Write proposals for water & sanitation project funding by prospective development agencies

Results

The results of the entity for the year ended June 30, 2023 are set out on pages 1 - 39

Dividends

The company does not declare dividends to the Directors since they only hold shares in trust for the County government of Kitui.

Directors

The members of the Board of Directors who served during the year are shown on page 3. In accordance with Regulation 59(a) of the company's Articles of Association, one third of the board members will retire each year and will be eligible for re-election.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2023.

By Order of the Board

Name: Paul Kinuba

Signature



Date:

05/3/2024

Managing Director

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and Company's Act 2015 Cap 486 require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

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

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

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.

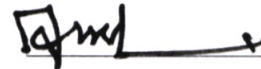
Approval of the financial statements

The company's financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:



Irene Martha Mati, ESK

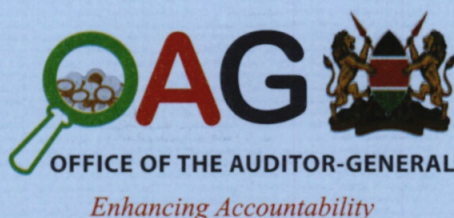
Board Chair



Paul Kinuba

Managing Director

REPUBLIC OF KENYA



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Email: 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 KIAMBERE MWINGI WATER AND SANITATION 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 Kiambere Mwingi Water and Sanitation Company Limited set out on pages 1 to 39, which comprise of 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 comparison of budget and actual amounts for the year then ended and a

Report of the Auditor-General on Kiambere Mwingi Water and Sanitation Company Limited for the year ended 30 June, 2023

summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kiambere Mwingi Water and Sanitation 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 and comply with and the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Unconfirmed Ownership of Assets

The statement of financial position and as disclosed in Note 16(a) to the financial statements reflects property, plant and equipment balance of Kshs.33,684,941. Included in the balance is Kshs.618,631 in respect of motor cycles which also includes two (2) motor cycles acquired in February, 2018 valued at Kshs.322,000 whose log books were not provided for audit. Further, Note 16(a) to the financial statements discloses assets with estimated value of Kshs. 630,482,219 as at 2005 which were handed over to TAWSB by TARDA in 2009. The water Company has been operating these assets which belong to Tanathi Water Works Development Agency since May, 2009 but not handed over to the Company officially. However, the assets have not been vested to County Government of Kitui which owns the water Company.

In the circumstances, the rightful ownership and validity of inclusion of the assets in the disclosure Notes in the financial statements could not be confirmed.

2. Trade and Other Receivables

The statement of financial position and as disclosed in Note 19 to the financial statements reflects trade receivables balance of Kshs.21,642,580 which comprise of trade receivables of Kshs.21,578,610 and staff receivables of Kshs.63,790. The net trade receivables is net of bad debts, suspense account payments and provision for bad debts of Kshs.2,985,487, Kshs.6,778,131 and Kshs.217,966 respectively all totalling Kshs.9,981,584. However, the aging analysis shows receivables balances which are more than 120 days of Kshs.23,744,147. It was also noted that the largest debtor was the County Government of Kitui with an outstanding balance of Kshs.9,225,628. However, Management has not demonstrated strategies being instituted to recover the long outstanding debts.

In the circumstances, the recoverability and fair statement of long outstanding debts balance of Kshs. 21,642,580 could not be confirmed.

3. Over Statement of Non-Current Liabilities - TWWDA Licensee Remuneration

The statement of financial position reflects Tanathi Water Works Development Agency (TWWDA) licensee fee balance of Kshs.19,764,981. Review of documents provided for audit review revealed that the Company and the service provider upon reconciliation acknowledged outstanding balance was Kshs.5,894,026 resulting in an unexplained and unreconciled variance of Kshs.13,870,955.

In the circumstances, the accuracy and fair statement of Tanathi Water Works Development Agency licensee fee balance of Kshs.19,764,981 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.189,797,000 and Kshs.149,422,540 respectively resulting to an under-funding of Kshs.40,374,460 or 21% of the budget. Similarly, the statement reflects final budget expenditure and actual on comparable basis of Kshs.186,209,714 and Kshs.153,037,470 resulting to under absorption of Kshs.33,172,244 or 18% of the budget.

The underfunding and under-expenditure absorption affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

Review of available documents and records revealed that during the year under review, the Company produced a total of 996,573 cubic meters (M³) of water out of which only 604,381 M³ were billed to customers leaving out the balance of 391,742 M³ unbilled representing 39% of the production as Non-Revenue Water (NRW) which is equivalent to Kshs.48,967,750 based on the average selling price per M³ of Kshs.125. The NRW exceeded the threshold of 25% set in the Water Services Regulatory (WASREB) guidelines by 14%. No tangible measures have been put in place by the Management to reverse the trend.

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

2. Non-Compliance with National Cohesion and Integration Act

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects staff costs amount of Kshs.43,449,585. Review of the human resource data and records revealed that the water Company had a total of forty-six (46) employees out of which, thirty-five (35) or 76% of the workforce were from the dominant ethnic community in the County. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Failure to File Annual Returns with the Registrar of Companies

Review of the Company's records revealed that the Company was incorporated in 2009. Management did not however, provide evidence of filed annual returns with the Registrar of Companies as is provided for by the law. No explanation was provided by Management for the failure to file returns.

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

4. Use of Outdated Tariffs

Review of available documents and records, revealed that the Company produced a total of 996,573 cubic meters (M³) of water. However, review of the Company's tariff revealed that the water tariff structure in use relates to the period between 1 January, 2011 to 30 June, 2013. However, the Water Company has continued using the tariff, despite having lapsed ten (10) years ago. There was no evidence of extension of the period and the continued use of the expired tariff.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

1. Excessive Electricity Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects general and operational expenses of Kshs.81,993,983, which includes power costs of Kshs.53,046,652. The expenditure is 65% of the total general and operating expenses, thus denying other programs funds for implementation. The high-power cost may not be sustainable.

In the circumstances, the excessive power costs may have impacted negatively on the profitability and sustainability of services by the Company

2. Lack of IT Environment

Review of the company's Information and Communication Technology (ICT) revealed that it has ICT infrastructure which includes computers and laptops. Walkthrough tests on Information Technology (IT) and other controls revealed the following weaknesses;

- i. The Company does not have strong Information Communication Technology (ICT) controls and a functional IT department despite operating Information Technology (IT) enabled environment like billing software.
- ii. There were no approved policies on Information Technology security including an IT continuity plan. Consequently, the critical data/information may not be recovered in case a disaster occurs.
- iii. The Company does not have an IT strategic or steering committee which could result in none implementation of IT governance, as part of enterprise governance.
- iv. The Company lacks an IT security policy, and thus no clear direction on how to maintain information security and how to safeguard its assets.
- v. The management has not instituted integrated policies and procedures to guide key financial processes and controls for the management of: revenue, expenditure, personnel expenditure, inventory and liabilities in the Sage software. The processes are not integrated and thus some components of the software are still manual. This may lead to manipulation of the data and risk of misrepresentation.
- vi. Lack of training program to build IT capacity.
- vii. There is no ICT officer responsible for overseeing the operations of IT in the Company.
- viii. Lack of a formally documented and approved process to manage upgrades and system changes made to all financial/performance information systems.
- ix. The backups were not stored in a secure offsite storage facility. Further, the server room is accessible to anyone posing a risk to the company information.

In the circumstances, the absence of a policy document, may affect the effectiveness of the operations of the entity's business processes on delivery of services to the public in an effective and efficient manner.

3. Lack of a Disaster Recovery Plan

Review of the Company records, processes, systems and operations revealed that the it does not have a disaster recovery plan and has not implemented a backup and retention strategy. This exposes the safety of the Company's data in the event of occurrence of risk.

In the circumstances, the Company may be exposed to business disruptions in case of a disaster.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by 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.
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of the Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the 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 comply 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 Company's policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of the management's use of the applicable 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 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

27 March, 2024

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2023****XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
REVENUE			
Operating revenue	6	117,421,699	104,103,724
Grants income	7	29,083,391	77,429,922
Other income	8	2,214,862	1,311,760
Finance income	9	702,588	-
TOTAL REVENUE		149,422,540	182,845,406
EXPENSES			
Staff costs	10	43,449,585	39,644,129
General and Operations expenses	11	81,993,983	97,539,967
Board expenses	12	2,182,500	3,469,800
Maintenance expenses	13	17,229,978	12,138,421
Depreciation and amortization expenses	14	8,057,823	5,176,860
Finance costs	15	123,601	122,292
TOTAL EXPENSES		153,037,470	158,091,469
PROFIT/(LOSS) BEFORE TAXATION		(3,614,930)	24,753,937
INCOME TAX EXPENSE/(CREDIT)		-	(2,611,922)
PROFIT/(LOSS) AFTER TAXATION		(3,614,930)	22,142,015
Revaluations	28	(10,194,236)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(13,809,166)	22,142,015

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED


**Annual Reports and Financial Statements
For the year ended June 30, 2023**

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

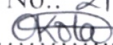
	Note	2022/2023	2021/2022
ASSETS		Kshs	Kshs
Non-Current Assets			
Property, plant and equipment	16 (a)	33,684,941	26,141,364
Intangible assets	17	2,075,119	2,075,119
Total Non-Current Assets		35,760,060	28,216,483
Current Assets			
Inventories	18	2,270,237	3,980,565
Trade and receivables	19 (a)	21,642,580	26,549,507
Trade prepayments	19 (b)	26,143	-
Bank and cash balances	20	32,484,538	31,091,498
Total Current Assets		56,423,498	61,621,570
TOTAL ASSETS		92,183,558	89,838,053
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100,000	100,000
Capital reserve	22	4,718,945	4,718,945
WSTF	23	31,335,169	31,166,984
Development grant	24	25,660,599	21,577,686
Retained earnings	30	(16,742,603)	(2,933,437)
Capital and Reserves		45,072,110	54,630,178
Non-Current Liabilities			
TWWDA	25 (b)	19,764,981	19,764,981
Total Non-Current Liabilities		19,764,981	19,764,981
Current Liabilities			
Trade and other payables	26	17,432,272	5,900,699
Water deposits	27	9,914,195	9,542,195
Total Current Liabilities		27,346,467	15,442,894
TOTAL EQUITY AND LIABILITIES		92,183,558	89,838,053

The financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:


Managing Director
Name: Paul Kinuba

Sign: 
Date: 05/3/2024

Finance & Admin. Manager
Name: CHARLES MUKOLA

ICPAK No.: 21239
Sign: 
Date: 05/03/2024

Board Chair
Name: Irene Mati

Sign: 
Date: 5/3/2024

Annual Reports and Financial Statements
For the year ended June 30, 2023

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

	Ordinary share capital	Capital reserve	Retained earnings	Capital/ Development Grants/Fund	WSTF	Total
At July 1, 2021	100,000	4,718,945	(25,075,452)	5,463,169	29,485,136	14,691,798
Total comprehensive income	-	-	22,142,015	-	-	22,142,015
CGoK (CIPRA)	-	-	-	16,114,517	-	16,114,517
WSTF (CLSG)	-	-	-	-	1,681,848	1,681,848
At June 30, 2022	100,000	4,718,945	(2,933,437)	21,577,686	31,166,984	54,630,178
At June 30, 2022	100,000	4,718,945	(2,933,437)	21,577,686	31,166,984	54,630,178
Total comprehensive income	-	-	(13,809,166)	-	-	(13,809,166)
WSTF (CLSG)	-	-	-	-	168,185	168,185
WSTF (CIPRA)	-	-	-	4,082,913	-	4,082,913
At June 30, 2023	100,000	4,718,945	(16,742,603)	25,660,599	31,335,169	45,072,110

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

XVI. 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 revenue	6	117,421,699	104,103,724
Other income	8	2,214,862	1,311,760
Finance income	9	702,588	-
Grants	7	29,083,391	77,429,922
Customer deposits	27	437,000	358,500
Total receipts		149,859,540	183,203,906
Payments			
Staff costs	10	43,449,585	39,644,129
General and operations expenses	11	81,993,983	97,539,967
Board expenses	12	2,182,500	3,469,800
Maintenance	13	17,229,978	12,138,421
Finance costs	15	123,601	122,292
Refund of customer deposits	29	65,000	65,000
Total payments		145,044,647	152,979,609
Net cash From/(Used in) Operating Activities		4,814,893	30,224,296
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16(a)	(6,708,190)	(6,934,403)
Net Cash From/(Used In) Investing Activities		(6,708,190)	(6,934,403)
Cash Flows from Financing Activities			
CGoK - CIPRA	32	-	16,114,517
WSTF - CIPRA	24	4,082,913	-
Electricity payments	33	(796,577)	(24,204,074)
Net Cash From/(Used In) Financing Activities		3,286,336	(8,089,557)
Increase/(Decrease) In Cash And Cash Equivalents		1,393,039	15,200,336
Cash And Cash Equivalents At Beginning Of Year	20	31,091,499	15,891,162
Cash And Cash Equivalents At End Of The Year	20	32,484,538	31,091,498

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

**Annual Reports and Financial Statements
For the year ended June 30, 2023**

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	120,000,000	13,555,000	133,555,000	117,421,699	(16,133,301)	(12)
Grants	50,400,000	-	50,400,000	29,083,391	(21,316,609)	(42)
Other income	5,842,000	-	5,842,000	2,917,450	(2,924,550)	(50)
Total Revenue	176,242,000	13,555,000	189,797,000	149,422,540	(40,374,460)	(21)
Expenses						
Staff Costs	50,985,714	(100,000)	50,885,714	43,449,585	7,436,129	15
Board Expenses	3,361,500	100,000	3,461,500	2,182,500	1,279,000	37
General and operations Expenses	93,887,500	1,955,000	95,842,500	81,993,983	13,848,517	14
Maintenance	18,570,000	17,300,000	35,870,000	17,229,978	18,640,022	52
Depreciation and amortization	-	-	-	8,057,823	(8,057,823)	(100)
Finance costs	150,000	-	150,000	123,601	26,399	18
Total Recurrent Expenditure	166,954,714	19,255,000	186,209,714	153,501,470	33,172,244	17.8
Profit or Loss	9,287,286	5,700,000	3,587,286	(4,078,930)	(7,202,216)	(201)
Capital Expenditure	9,150,000	(5,700,000)	3,450,000	6,700,331	(3,250,331)	(94)
Total Expenditure	176,104,714	-	189,659,714	160,201,801	29,921,913	16

Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kiambere Mwingi Water and Sanitation Company Limited is established by and derives its authority and accountability from CAP 486 of Companies Act that was repealed by the Companies Act 2015. The entity is wholly owned by the County government of Kitui and is domiciled in Kenya. The entity's principal activity is to supply and distribute potable water and provide basic sanitation within the Larger Mwingi region of Kitui County.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kiambere Mwingi Water and Sanitation Company Limited .

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

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

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2023

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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For the year ended June 30, 2023

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii) Early adoption of standards

The Company did not early – adopt any new or amended standards in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Revenue recognition**

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured.
However, the amounts are subjected to adjustments when errors are realized, in relation to meter readings and subsequent billings. Non-Revenue water is not recognized as income since it's not billed.
- ii) **Service charge income** is recognized monthly after water meters are installed at the customers' premises and billed by the Company.
- iii) **Grants from County and National Governments** 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.
The County Government of Kitui paid for electricity.
Tanathi Water Works Development Agency paid for Drought Mitigation funds.
WSTF paid for UBSUP project.
KIWASH paid for water meters and ERP system grant.
- iv) **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.
- v) **Miscellaneous income** like meter reconnection fee and penalties is recognized when the service has been provided and billed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

In-kind contributions are donations that are made to Kiambere Mwingi Water and Sanitation Company Limited 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.

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is 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:

Water kiosks	10%
Storage tanks	2.5%
Decentralized Treatment Facility	2.5%
Pipes and fittings	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	33.3%
Office equipment, furniture and fittings	12.5%
Kiambere treatment plant & equipment	2.5%

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Intangible assets

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

The annual rates used are as follows:

Computer software	33.3%
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f) Amortization and impairment of intangible assets

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

ERP system recently installed has an infinite useful life, therefore has not been amortized.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the weighted average method.

m) Trade and other receivables

Trade receivables are carried at the anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end.

Trade receivables are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the receivables, and that the loss event has an impact on the future cash flows on the receivables that can be estimated reliably.

Objective evidence that trade receivables are impaired could include default or delinquency by a customer, indications that a customer will enter bankruptcy as well as observable changes in national or local economic conditions that correlate with default on receivables.

An estimate is made of doubtful receivables based on a review of all outstanding amount at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the 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.

Current income tax workings

The Company had a deficit of Kshs. 3,614,930 during the year under preview and hence did not incur income tax.

During the Financial year under review, the Company received Kshs. 14,110 and Kshs. 4,082,913 from the County Government of Kitui and Water Sector Trust Fund respectively. These funds were for Drought Mitigation and construction of a Public Sanitation Facility at Kyuso respectively.

o) Deferred tax

There was no deferred tax as at the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. 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 various Commercial Banks and M-Pesa at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

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

s) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

t) Retirement benefit obligations

The Company is a member of a defined pension contribution scheme administered by the Roberts Insurance Brokers Limited for all full-time employees where the Company contributes 15% of staff basic pay and the staff contribute 7.5% of their basic pay monthly.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2022 - 2023 was approved by the Board of Directors on 23rd February 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Directors. The additional appropriations are added to the original budget by the Company upon receiving the respective approvals in order to conclude the final budget.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

w) Budget information (Continued)

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.

Capital expenditure budget disclosure

There was a budget of Kshs. 3,450,286 for capital expenditures. Out of the Kshs. 6,700,331 expended under capital expenditure, Kshs. 4,174,463 was from donor funds (Water Sector Trust Fund) for construction of Kyuso Public Sanitation Facility.

The Company therefore, from its budget spend Kshs. 2,525,868 for capital expenditures, which was within the approved budget.

x) Service concession arrangements

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

y) Comparative figures

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

z) 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, 2023.

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

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

i) Bad debts

All debts which are three years and above have been treated as bad debts. Bad debts are written off when all reasonable steps to recover them have failed.

ii) Prior events

There were no prior year events and/or adjustments during the period.

iii) Nature of Capital reserve

Capital reserves were inherited from Tana & Athi Rivers Development Authority when the Company took over operations. They represent inherited debtors, customer deposits and creditors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Liquidity risk management

KIMWASCO Board of Directors made a resolution on 7/3/2017 that it would pay Tanathi Water Services Board accumulated lease fee up to 30/5/2013 when the County Government of Kitui took over as the principal, water services having been devolved to county governments.

iv) Liquidity risk management (Continued)

The accumulated lease fee from 2008 when TAWSB was incorporated to 30/7/2013 was Kshs. 5,894,026. TAWSB was informed about the Boards resolution through a letter dated 30/3/2016 in which an undertaking was made to pay the debt in instalments of Kshs. 400,000 per month. The debt was cleared in June 2018 and TAWSB informed through a letter dated 10/7/2018.

In view of these facts, the licensee remuneration of Kshs. 19,764,981 which is an accumulation from July 2013 to June 2017 ought to have been written off. It is treated as a non-current debt until it is written off.

i) Water deposits

Water deposits are charged to customers when applying for new water connection.

There is a water deposits account where these funds are retained until a customer requests to terminate his/her water account with the Company, in the event that the water deposit is refunded back after all bills have been cleared. This fund is treated as a liability to the Company.

Proceeds of water meters sold to customers used to be deposited at the Water deposits account at Equity bank until end of Financial Year 2016/2017. The total amount for water meter sales as at that period was Kshs. 1,670,500. The Company has been using these funds to buy meters for re-sale and since the amount is not refundable to customers, journals were passed to transfer the balance from the deposits account and retain it at the collection account where it will be used as a revolving fund for purposes of re-stocking water meters.

b) Useful lives and residual values

i) Property, plant and equipment and intangible assets

Critical estimates are made by the management in determining the useful lives of property, plant and equipment and intangible assets. This is the basis on which the depreciation and amortization rates applied on property, plant and equipment and intangible assets respectively are determined.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Impairment

On the reporting date, the company reviews the carrying amounts of its assets to determine whether there is any objective evidence that those assets have suffered an impairment loss.

ii) Impairment (Continued)

If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

c) Provision for doubtful debts

Provision for doubtful debts is calculated at 1% of the net debtors.

d) Balance sheet notes

Items under balance sheet with notes referred to as CIE refer to the statements of Changes In Equity as the reference point.

e) Restated figures in the Financial statements

Upon introduction of the new IFSR reporting template, the comparative figures in the Financial statements have been restated where applicable to conform to the new reporting template.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OPERATING REVENUE

Description	2022/2023	2021/2022
	Kshs	Kshs
Water sales - Billings	80,876,528	76,483,082
Water sales - Kiosks	16,806,406	13,021,983
Water sales - Boreholes	4,183,230	1,809,671
Water sales - Tankering	13,530,035	10,512,618
Billing for other services	2,025,500	2,276,370
Total	117,421,699	104,103,724

7 GRANTS FROM THE GOVERNMENT & OTHER DEVELOPMENT PARTNERS

Description	2022/2023	2021/2022
	Kshs	Kshs
County Government of Kitui (Electricity)	24,986,368	33,491,924
Tanathi Water Works Dev. Agency (Drought Mitigation)	-	1,000,000
County Government of Kitui (Drought Mitigation)	14,110	4,063,406
Water Sector Trust Fund (CLSG)	-	22,760,075
County Government of Kitui (CIPRA - Sanitation)	-	1,514,517
County Government of Kitui (CIPRA – Water supply)	-	14,600,000
Water Sector Trust Fund (CIPRA - Sanitation)	4,082,913	-
Total	29,083,391	77,429,922

Analysis of grants received

Name of the entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year	2021/2022
CGoK(Electricity)	24,986,368	-	-	24,986,368	33,491,923
TWWDA (Drought Mitigation)	-	-	-	-	1,000,000
CGoK (Drought Mitigation)	14,110	-	-	14,110	4,063,406
WSTF (CLSG)	-	-	-	-	22,760,075
CGoK (CIPRA - Sanitation)	-	-	-	-	1,514,517
CGoK (CIPRA – Water supply)	-	-	-	-	14,600,000
Water Sector Trust Fund (CIPRA - Sanitation)	-	-	4,082,913	4,082,913	-
Total	25,000,478	-	4,082,913	29,083,391	77,429,922

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER INCOME

Description	2022/2023	2021/2022
	Kshs	Kshs
Public toilet lease	42,000	42,000
Fines and penalties	276,608	185,149
New connection charge	1,896,254	1,084,611
Total	2,214,862	1,311,760

9 FINANCE INCOME

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest income from fixed deposit	702,588	-
Total	702,588	-

10 STAFF COSTS

Description	2022/2023	2021/2022
	Kshs	Kshs
Gross salary and allowances	30,997,125	27,644,096
Casual workers' wages	1,157,994	999,359
Medical insurance schemes	2,688,759	2,287,605
Employers contribution to social security schemes	257,120	104,800
Employers contribution to pension schemes	3,000,694	2,905,328
Gratuity provisions	424,857	377,229
Top – up allowance	335,450	425,400
Commission – Kiosk and boreholes operators	3,649,891	3,947,309
Staff welfare	937,695	953,003
Total	43,449,585	39,644,129

11 GENERAL AND OPERATIONS EXPENSES

Description	2022/2023	2021/2022
	Kshs	Kshs
Chemicals	2,643,472	1,865,900
Electricity	53,046,652	47,698,831
Fuel, oil and lubricants	9,113,089	5,403,224
Office supplies / Stationery/ Photocopy	581,353	503,749
Telecommunication	553,488	534,324
Postage and courier	26,110	26,107
Water	31,350	123,860
Insurance	651,047	682,629
Rent	312,000	312,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 GENERAL AND OPERATIONS EXPENSES, Continued...

Description	2022/2023	2021/2022
	Kshs	Kshs
Hire of equipment and vehicles	87,500	49,910
Domestic traveling and subsistence	3,803,369	3,800,150
Staff training and development	2,980,944	2,936,501
Security services	2,415,000	2,159,774
Publicity and advertising	345,158	567,234
Audit fees	232,000	232,000
Consultancy fees	60,700	320,600
Licensing and levies	1,872,708	1,111,935
Donations/CSR	157,000	99,360
Hospitality expenses	161,580	471,855
Subscription fees	188,600	227,334
Provision for doubtful debts	217,966	248,242
Provision for audit fees	-	232,000
Tax – VAT and penalties	17,814	83,561
Permits	50,700	50,700
Uniforms	496,750	-
Water testing	49,120	-
Purchase of bulk water	358,400	-
Strategic plan implementation	921,450	1,863,893
News papers	19,500	38,220
Office general expenses	30,680	56,632
Others; -Drought mitigation administration expenses	-	5,077,586
-WSTF project expenses	568,483	20,761,857
Total	81,993,983	97,539,968

12 BOARD EXPENSES

Description	2022/2023	2021/2022
	Kshs	Kshs
Chairperson honoraria	420,000	295,000
Sitting allowances	1,726,500	1,513,800
Board strategic governance	-	1,206,000
Organizational assessment and staff audit	-	455,000
Board medical cover	36,000	-
Total	2,182,500	3,469,800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 MAINTENANCE EXPENSES

Description	2022/2023	2021/2022
	Kshs	Kshs
Plant and equipment	4,282,958	2,336,250
Infrastructural networks	5,570,960	3,986,907
Motor vehicles	6,975,850	5,262,468
Office equipment maintenance	321,210	321,896
Station and building maintenance	79,000	230,900
Total	17,229,978	12,138,421

14 DEPRECIATION AND ARMORTIZATION EXPENSES

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, Plant and equipment	8,057,823	5,176,860
Total	8,057,823	5,176,860

15 FINANCE COST

Description	2022/2023	2021/2022
	Kshs	Kshs
Bank charges	123,601	122,292
Total	123,601	122,292

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16(a) PROPERTY, PLANT AND EQUIPMENT

Assets with estimated value of **Ksh. 630,482,219** as at 2005 were handed over to TAWSB by TARDA in 2009. Kiambere - Mwingi Water & Sanitation Company Ltd has been operating these assets since May 2009 although they have not been handed over to the company officially. These assets have not been included in the financial statements.

2023	Water kiosks	Elevated steel water tank	Masonry water tank	Decentralised treatment facility	Motor vehicles	Motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Water meters	Lab equipment	Treatment plant & equipment	WIP	Total
Depreciation rate	10%	2.50%	2.50%	2.50%	25%	25%	12.5%	33.3%	2.50%	12.50%	2.5%	-	
COST OR VALUATION													
At July 1, 2022	3,300,200	5,389,171	2,225,983	9,095,689	21,140,357	2,753,652	2,749,723	3,276,830	1,594,823	405,752	4,477,448	-	56,409,628
Additions	260,500	-	-	-	72,000	-	243,300	1,789,742	-	-	168,185	4,174,463	6,708,190
Revaluation	-	-	-	-	6,650,000	620,500	544,600	1,088,000	-	60,000	-	-	8,963,100
At June 30, 2023	3,560,700	5,389,171	2,225,983	9,095,689	27,862,357	3,374,152	3,537,623	6,154,572	1,594,823	465,752	4,645,633	4,174,463	72,080,918
DEPRECIATION													
At July 1, 2022	2,004,140	943,103	278,250	868,961	18,169,107	2,404,346	1,752,053	2,916,175	399,473	280,940	321,606	-	30,338,154
Charge for the year	330,020	134,729	55,650	227,392	4,838,301	351,175	388,620	1,542,224	39,871	37,906	111,936	-	8,057,823
At June 30, 2023	2,334,160	1,077,833	333,899	1,096,353	23,007,408	2,755,521	2,140,673	4,458,399	439,343	318,846	433,542	-	38,395,977
NET BOOK VALUE At June 30, 2023	1,226,540	4,311,338	1,892,084	7,999,336	4,854,949	618,631	1,396,950	1,696,173	1,155,480	146,906	4,212,091	4,174,463	33,684,941

Property, plant and equipment include the following items that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
N/A	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16(b) PROPERTY, PLANT AND EQUIPMENT (Continued)

2022	Water kiosks	Elevated steel water tank	Masonry water tank	Decentralised treatment facility	Motor vehicles	Motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Water meters	Lab equipment	Treatment plant & equipment	Total
Depreciation rate	10%	2.50%	2.50%	2.50%	25%	25%	12.5%	33.3%	2.50%	12.50%	2.5%	
COST OR VALUATION												
At July 1, 2021	3,300,200	5,389,171	2,225,983	9,095,689	16,211,037	2,753,652	2,524,848	3,178,470	1,594,823	405,752	2,795,600	49,475,225
Additions	-	-	-	-	4,929,320	-	224,875	98,360	-	-	1,681,848	6,934,403
At June 30, 2022	3,300,200	5,389,171	2,225,983	9,095,689	21,140,357	2,753,652	2,749,723	3,276,830	1,594,823	405,752	4,477,448	56,409,628
DEPRECIATION												
At July 1, 2021	1,674,120	808,374	222,600	641,569	15,150,337	2,127,796	1,408,338	2,328,667	359,602	230,221	139,780	25,091,404
Charge for the year	330,020	134,729	55,650	227,392	3,018,770	276,550	343,715	587,508	39,871	50,719	111,936	5,176,860
At June 30, 2022	2,004,140	943,103	278,250	868,961	18,169,107	2,404,346	1,752,053	2,916,175	399,473	280,940	321,606	30,268,264
NET BOOK VALUE At June 30, 2022	1,296,060	4,446,068	1,947,733	8,226,728	2,971,250	349,306	997,670	360,655	1,195,350	124,812	4,155,842	26,141,364

Property, plant and equipment include the following items that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Motor vehicles	9,765,043	2,441,261
Motor cycles	1,163,280	290,820
Computers and related equipment	1,303,750	434,149
Furniture's & office equipment's	262,728	32,841
Lab equipment	162,502	20,313
Total	12,657,303	3,219,384

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INTANGIBLE ASSETS

Description	2022/2023	2021/2022
COST	Kshs	Kshs
At July 1	2,269,619	2,269,619
Additions	-	-
Disposals	-	-
At June 30	2,269,619	2,269,619
AMORTISATION		
At July 1	194,500	194,500
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	194,500	194,500
NET BOOK VALUE At June 30	2,075,119	2,075,119

Intangible assets include QuickBooks software, Website domain and an accounting/billing software costing Kshs. 110,000, Kshs. 84,500 and Kshs. 2,075,119 respectively. The accounting/billing system (ERP) is expected to be used for indefinite period of time and therefore has not been amortized.

18 INVENTORIES

2022

Description	Quantity (Kgs)	Market price (Kshs)	Amount (Kshs)
Chlorine	2,855	340.00	970,700
Lime	1,400	35.00	49,000
Alumn	4,450	52.00	231,400
Other stock items			2,729,465
Total			3,980,565

2023

Description	Quantity (Kgs)	Market price (Kshs)	Amount (Kshs)
Chlorine	1,035	336.40	348,174
Lime	325	32	10,400
Alumn	10,100	56	565,600
Sub Total			924,174
Treated water balance	7,056.75M ³	88.3	623,111
Other stock items			722,952
Total			2,270,237

Other stock items include pipes and fittings, Office stationery and water meters.

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2023****NOTES TO THE FINANCIAL STATEMENTS (Continued)****19(a) TRADE AND OTHER RECEIVABLES****(i) Trade receivables**

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade receivables(water billings) (note 26 (b))		
Active debtors	9,044,245	12,988,161
Inactive debtors	22,515,949	20,849,339
Less: Bad debts	(2,985,487)	(3,023,118)
Less: Suspense account payments	(6,778,131)	(4,081,700)
Provision for bad debts	(217,966)	(248,242)
Net trade receivables	21,578,610	26,484,440

(ii) Staff debtors

Description	2022/2023	2021/2022
	Kshs	Kshs
Staff receivables	63,970	65,067
Total	63,970	65,067
Net trade and other receivables	21,642,580	26,549,507

19 (b) PREPAYMENTS

Description	2022/2023	2021/2022
	Kshs	Kshs
Fuel – Vivo Energy	26,143	-
Total	26,143	-

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) TRADE RECEIVABLES

Description	2022/2023	2021/2022
At 30 th June 2023, the ageing analysis of the gross trade receivables was as follows:	Kshs	Kshs
Less than 30 days	2,637,045	8,125,026
Between 30 and 60 days	1,509,836	1,758,545
Between 61 and 90 days	1,433,361	1,235,122
Between 91 and 120 days	2,236,519	1,130,839
Over 120 days	23,744,147	21,587,967

Debtors ageing report above includes active, inactive and bad debts.

20 BANK AND CASH BALANCES

Description	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	17,730,972	30,601,566
M-pesa Paybill	1,414,908	489,572
M-pesa Till	34,874	-
Fixed deposits	13,300,000	-
Cash in hand	3,784	360
Total	32,484,538	31,091,498

The bulk of the cash at bank was held at Equity Bank limited, the entity's main bankers.

The make – up of bank balances and short term deposits is as follows:

Financial institution		2022/2023	2021/2022
a) Current account	Account number	Kshs	Kshs
KCB (Collection)	1112294120	140,059	790,332
Equity Bank (Collection)	0590295549051	1,040,646	135,322
Equity Bank (Deposits)	0590295548998	205,239	9,445,937
Equity Bank (CLSG)	0590280467681	20,521	316,370
Equity Bank (Drought mitigation)	0590271483467	14,249	139
Equity Bank (CIPRA - Sanitation)	0590280514091	996,644	1,514,517
Equity Bank (CIPRA - Water supply)	0590280541089	14,857,012	14,600,000
Equity Bank (Paying)	0590295549120	175,610	133,116
Co-operative Bank	01100398327900	280,992	3,665,833
Sub- total		17,730,972	30,601,566
b) Others(specify)			
cash in hand	N/A	3,784	360
M-pesa Paybill	803650	1,414,908	489,572
M-pesa Till	7205226	34,874	-
Equity Bank (Fixed deposits)	0590384139746	9,600,000	-
Equity Bank (Fixed deposits)	0590384139648	3,700,000	-
Sub- total		14,753,566	489,932
Grand total		32,484,538	31,091,498

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2023****NOTES TO THE FINANCIAL STATEMENTS (Continued)****21 ORDINARY SHARE CAPITAL**

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

The Company's amended Memorandum & Articles of Association has been registered by the Registrar of Companies. It provides the County Government of Kitui to own and pay for all the shares.

22 CAPITAL RESERVES

Description	2022/2023	2021/2022
	Kshs	Kshs
Debtors	6,477,891	6,477,891
Customer deposits	(1,061,600)	(1,061,600)
Creditors	(697,346)	(697,346)
Total	4,718,945	4,718,945

23 WATER SECTOR TRUST FUND

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance b/f 2022/2023	31,166,984	29,485,136
Add: Receipts 2022/2023	168,185	1,681,848
Total	31,335,169	31,166,984

24 CAPITAL / DEVELOPMENT GRANT

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance b/f 2022/2023	21,577,686	5,463,169
Add: Receipts 2022/2023	4,082,913	16,114,517
Total	25,660,599	21,577,686

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 (a) LONG TERM TRADE LIABILITIES

The long term trade liabilities relate to accumulated lease fee from 2008 when Tanathi Water Services Board (TAWSB), now referred to as Tanathi Water Works Development Agency (TAWWDA) was incorporated to 30/7/2013.

25 (b) TAWWDA

Description	2022/2023	2021/2022
	Kshs	Kshs
Tanathi Water Works Development Agency – Licensee remuneration	19,764,981	19,764,981
Total	19,764,981	19,764,981

26 TRADE AND OTHER PAYABLES

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	6,505,220	1,155,094
Kenya Power & Lighting Company	7,087,508	2,605,366
Payroll deductions	2,112,499	869,908
Office of the Auditor General	678,000	446,000
Staff creditors	424,857	377,229
Prepayments - debtors	624,188	447,102
Total	17,432,272	5,900,699

27 WATER DEPOSITS

Description	2022/2023	2021/2022
	Kshs	Kshs
Balance b/f	9,542,195	9,248,695
Water deposits	437,000	358,500
Water deposits refund	(65,000)	(65,000)
Total	9,914,195	9,542,195

The Company was incorporated in May 2009 and since then, the customer deposits account has accumulated bank charges amounting to Kshs. 96,258 (May 2009 – June 2023). The bank balance of the Customer deposits reported under Note 20 is net of the accumulated bank charges.

28 REVALUATION LOSS

Description	2022/2023	2021/2022
	Kshs	Kshs
Cost	19,157,336	-
Revalued cost	8,963,100	-
Total	10,194,236	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 CUSTOMER DEPOSIT REFUND

Description	2022/2023	2021/2022
	Kshs	Kshs
Water deposits refund	65,000	65,000
Total	65,000	65,000

30 RETAINED EARNING

Description	2022/2023	2021/2022
	Kshs	Kshs
Opening balance	(2,933,437)	(25,075,452)
Total comprehensive income	(13,809,166)	22,142,015
Total	(16,742,603)	(2,933,437)

Retained earnings are utilised to finance the Company's business activities.

31 DROUGHT MITIGATION

Description	2022/2023	2021/2022
	Kshs	Kshs
Tanathi Water Works Development Agency	-	1,000,000
County Government of Kitui	14,110	4,063,406
Total	14,110	5,063,406

32 CGoK – CIPRA (SANITATION / WATER SUPPLY)

Description	2022/2023	2021/2022
	Kshs	Kshs
CGoK Fund – CIPRA public sanitation	-	1,514,517
CGoK Fund – CIPRA water supply	-	14,600,000
Total	-	16,114,517

33 ELECTRICITY PAYMENTS

Description	2022/2023	2021/2022
	Kshs	Kshs
Payment of production electricity bills	796,577	24,143,415
Total	796,577	24,143,415

The Company operates on a subsidized tariff where the County Government of Kitui pays 75% Kiambere Treatment Plant electricity bills and the Company pays 25% of the bills. The Company paid electricity bills amounting to Kshs. 796,577 above the requires 25%

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 NOTES TO THE STATEMENT OF CASH FLOWS

	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(3,846,930)	19,079,763
Depreciation/Amortization	8,057,823	5,176,860
Operating profit/(loss) before working capital changes	4,210,893	24,256,623
(Increase)/decrease in inventories	1,710,328	(1,424,877)
(Increase)/decrease in trade and other receivables	(4,906,927)	(4,483,660)
Increase/(decrease) in trade and other payables	11,531,573	(14,303,212)
Increase/(decrease) in water deposits	372,000	293,500
Cash generated from/(used in) operations	12,917,867	4,338,374
(b) Analysis of cash and cash equivalents		
Cash at bank	17,730,972	30,601,566
Cash at M-pesa paybill	1,414,908	489,572
Cash at M-pesa till	34,874	-
Cash at Fixed deposits	13,300,000	-
Cash in hand	3,784	360
Balance at end of the year	32,484,538	31,091,498

35 RELATED PARTY DISCLOSURES

(a) Government of Kenya

Related parties include:

- i) The Parent Ministry
- ii) County Government of Kitui
- iii) Tanathi Water Works Development Agency
- iv) Water Sector Trust Fund
- v) Kenya Integrated Water, Sanitation & Hygiene Project
- vi) Shareholders
- vii) Key management
- viii) Board of directors

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2022/2023	2021/2022
	Kshs	Kshs
a) Grants from the Government & related parties		
Grants from County Government of Kitui	25,000,478	53,669,846
Grants from Tanathi Water Works Development Agency	-	1,000,000
Grants from Water Sector Trust Fund	4,082,913	22,760,075
Total	29,083,391	77,429,921
b) Expenses incurred on behalf of related party		
Payments of electricity	24,986,368	33,491,923
Payments of drought mitigation expenses	-	5,063,406
Payments of CLSG expenses	568,483	22,443,705
Total	25,554,851	60,999,034

36 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:

(i) Credit risk

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

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

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:

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 are considered adequate to cover any potentially irrecoverable amounts.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The entity has significant concentration of credit risk on amounts due from 2009.

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.

iii) Capital Risk Management

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

	2022/2023	2021/2022
	Kshs	Kshs
Retained earnings	(13,809,166)	19,049,598
Capital reserve	4,718,945	4,718,945
Total funds	(9,090,221)	23,768,543
Total borrowings	-	-
Less: cash and bank balances	32,484,538	31,091,498
Net debt/(excess cash and cash equivalents)	23,394,317	54,860,041
Gearing ratio (Equity)	357.0%	130.0%

37 INCORPORATION

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

38 EVENTS AFTER THE REPORTING PERIOD

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

39 CURRENCY

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

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Long Outstanding Receivables	The Company is making efforts and have been put in place to recover the long outstanding debts. These measures include; i. Performing revenue drives ii. Disconnection from tee iii. Allowing instalment payments iv. Prompt disconnection of due accounts to avoid further growth of the receivables.	Revenue Accountant	Not Resolved	Dec 2023
2.	Understated Property, Plant and Equipment	The Company engaged a valuer who revalued the fully depreciated assets. All assets are now stated at their fair book value.	Managing Director	Resolved	Dec 2023
		The Management has engaged the County government to take over the assets from the Tanathi Water Works Development Agency as per the recommendation.		Not resolved	
3	Unresolved Prior Year Audit Matters	The Company is working towards resolving all prior year audit matters as indicated in the Management comments section of each unresolved audit matter	Managing Director	Not Resolved	June 2024
4	Use of Out-dated Tariff Structure	The Company developed new tariffs which have been submitted to WASREB for approval	Managing Director	Not Resolved	Dec 2023

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	Non-Revenue Water	<p>Measures taken to address the NRW are in line with the MOU signed between the Governor on behalf of the WSPs and the PS Water and Sanitation – Ministry of Water.</p> <p>Mitigation measures that have been taken include:</p> <ul style="list-style-type: none"> • Sustained leak repair including burying of exposed pipelines and relocating line prone to damages. • Replacement of Faulty and old meters, • Continuous monitoring of water connections to identify any meter tampering or illegal use of water and imposing heavy penalties of culprits. • Installation of zonal meters • Automation of communal water dispensing points 	Technical Manager	Not Resolved	June 2024
6	Non-Compliance with Law on Ethnic diversity	<p>Most of these current staff were inherited from TARDA and it was not possible to conform to the ethnicity regulation in the short term. However, effort is being made to conform gradually as new staff get employed.</p>	Managing Director	Not Resolved	N/A

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Compliance with Two-Thirds Gender Rule	The Company had not meet the two third gender rule because of historical reasons including the fact that some of the staff were inherited from TARDA. The technical nature of the company’s operations also tends to attract few female applicants for vacant positions. However, the Company will adopt affirmative action in future recruitment to ensure the two third gender rule is achieved progressively.	Managing Director	Not Resolved	N/A
8	Lack of Scheme of Service	The Board of Directors and the HR Department of the Kitui County government developed a scheme of service for the company which was approved in August 2022 and is now in use.	N/A	Resolved	N/A
9	Lack of Risk Management Policy and a Disaster Recovery Plan	The Company developed a Risk Management Policy which is awaiting approval by the Board of Directors.	Revenue Accountant	Not Resolved	Dec 2023

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to the Office of the Auditor General.

Managing Director

Board Chair

Signature:  Date: 05/3/2024

Signature:  Date: 5/3/2024