REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# GATUNDU WATER AND SANITATION COMPANY LIMITED

# FOR THE YEAR ENDED 30 JUNE, 2024

# GATUNDU WATER AND SANITATION COMPANY LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED
## JUNE 30, 2024

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

## Table Of Contents

## 1. Acronyms and Glossary of Terms

| | |
|---|---|
| *ICPAK* | *Institute of Certified Public Accountants of Kenya* |
| *IFRS* | *International Financial Reporting Standards* |
| *MD* | *Managing Director* |
| *PFM* | *Public Financial Management* |
| *PSASB* | *Public Sector Accounting Standards Board* |
| *WASREB* | *Water Services Regulatory Board* |
| *AWWDA* | *Athi Water Works Development Agencies* |
| *CO* | *Chief Officer* |
| *GATWASCO* | *Gatundu Water and Sanitation Company Limited* |

## 2. Key Entity Information

### Background information

The Gatundu Water and Sanitation Company Ltd was established by the Company's Act of Parliament on 8th October 2014 vide certificate number CPR/2014/149082. In accordance to the articles and Memorandum of association the company which is fully owned by the Kiambu county government is represented by the County Executive Member responsible for water and sanitation and the CEC finance, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company head office is domiciled in Gatundu and has branches in Gatukuyu, Kamwangi, Kiganjo, Karatu, Ituramiro and Gituamba.

### Principal Activities

The principal activity of the Company is to Provide domestic, industrial and institutional water services, plus sewerage and sanitation services.

Gatundu Water Company coverage includes Gatundu South, Gatundu North, parts of Githunguri sub-county and parts of Juja.

In terms of water service provision, the situation in the area can be categorized as

- Areas that are well served receive water 24/7
- Areas that are under served receive water on rationing basis
- Areas that are served through community water projects

In terms of sewerage services, the situation is wretched since

- All areas are not sewered
- Some centers depend on septic tanks
- Rural areas depend on pit and VIP.

In terms of storage and conservation

- The area has two dam, Theta dam and Karimenu II dam
- Treatment plants
- A lot of soil is lost through erosion
- A lot of water is lost to the Indian ocean through river flow

### Vision

To be the best in provision of potable rural water and sanitation services in the region and beyond.

**Mission**

To promote good health standards and raise economic level of our community through provision of quality, reliable, adequate and affordable water and sanitation services in an environmentally friendly manner while meeting expectations of our customers and other stakeholders.

**Core Objectives**

The following are strategic objectives that GATWASCO will be aiming to achieve:

i. Attain Financial Sustainability
ii. Enhance Service Delivery
iii. Institutional Strengthening and support
iv. Increase Water Production and Distribution
v. Increase Sewerage Coverage
vi. Enhance management of Non-Revenue Water

**Directors**

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

| | |
|---|---|
| 1. Martin Ndungu Kahura- Chairman | -Appointed on14th February 2022 |
| 2. Jenifer Musyoki -CO Water and Irrigation | - Appointed on 14th February 2022 |
| 3. Stephen Karau Kangethe | -Appointed on14th February 2022 |
| 4. Joyce Wanjiku Kangara | -Appointed on14th February 2022 |
| 5. Stephen N Mungai (Alternate for CO Finance) | -Appointed on14th February 2022 |
| 6. Peter Gichuki (Alternate for CO Administration) | -Appointed on14th February 2022 |
| 7. Jacqueline Wangari Murigi | -Appointed on April 2023 |
| 8. Patrick N. Mwangi | -Appointed on July 2015 left Dec 2023 |
| 9. James Muiruri | -Appointed on December 2023 |

**Company Secretary**

Jacqueline Wangari Murigi

**Registered Office**

Gatundu Water Office

Gatundu Karinga Road

P.O. Box 140

Gatundu, KENYA

**Corporate Headquarters**

P.O. Box 140

Gatundu Water office Building

Gatundu Karinga Road

Nairobi, KENYA

**Corporate Contacts**

Telephone: (254) 0115122379

E-mail: gatwasco@gmail.com

Website: www. Gatunduwater.co.ke

**Corporate Bankers**

1. Co-operative Bank of Kenya
   P.O. Box 82-01030,
   Gatundu Branch.

2. Equity Bank of Kenya
   P.O Box 528-01030
   Gatundu Branch

3. Kenya Commercial Bank
   P O Box 420-00232
   Gatundu Branch

4. Family Bank

   P O Box 481-01030

   Gatundu Branch

5. Safaricom Limited

   M-pesa money transfer service

   Paybill No. 893400,919400

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

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

Nyokabi Waiganjo, Omungala

Hazina Towers 12th floor

Monrovia street

P O Box 1874-00100

Nairobi

Mwaiganjoadvocates@gmail.com

## 3. The Board of Directors

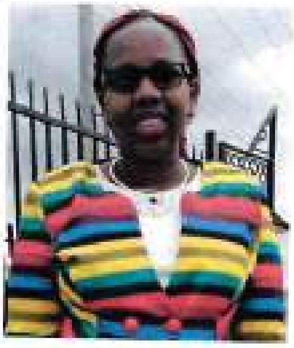
| Directors | Details |
|---|---|
|  **Rev. Martin Ndungu Kahura** | **DOB** : 1967<br>**Qualification**: Bachelor of Ministry, Diploma In Education, Dip In Theology<br>**Work Experience**: Pastoral Leadership Christian Church International, Teaching in Gikindu Primary School, Mukurwe Primary School, Mukurwe Primary and Nembu Primary school<br>**Position:** Chairman of the Board |
|  **Jennifer Kanini Musyoki** | **DOB**: 1984<br>**Qualification**: MBA (Strategic Management); BSc Civil Engineering<br>**Work Experience**: Previously worked as a Water & Sanitation Engineer in planning and design of urban and rural water and sanitation infrastructure; formulating national and county government water and sanitation policies, strategies and plans; conducting out technical assessments, socio-economic studies and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship programme and Authentic Living Int. Co. Ltd. Currently working as the Chief Officer in the Department of Water, Environment, Energy and Natural Resources.<br>**Position:** Chief Officer-Dept of Water, Environment, Energy and Natural Resources |
|  **Stephen Karau Kangethe** | **DOB** : 1960<br>**Qualification**: Bachelor of Arts Economics , Cert In Industrial Relations<br>**Work Experience**: Retired Human Resource Manager wells Fargo Ltd, Over 40years experience in different position to as General manager Binti Apparels Ltd, HR manage Mirage fashionware EPZ Ltd, Personnel manager Barclays Bank, Personnel manager Magadi Soda Company<br>**Position:** Chairman Finance Committee |

| | |
|---|---|
| <br>**Joyce Wanjiku Kangara** | **DOB** : 1985<br>**Qualification:** Bsc Acturial Science, Pursuing Mba Accounting And Finance, Investment and Security Analyst, Certificate in Automated Trading System Operations<br>**Work Experience**: Executive Director Foundation of Reaching and Transforming (NGO) Team leader Fort Credit Limited, Project manager Al-Eman Technology, Sales support and Investment advisor Chase Bank, Ministry of health Industrial attachment.<br>**Position**: Chair Audit Committee |
| <br>**Stephen Ndichu Mungai** | **DOB** : 1984<br>**Qualification**: MA Economics (Uon), CPAK<br>**Work Experience**: Over 10 years' experience in national and county government on economic planning & finance<br>Position: **County** representative Finance |
| <br>**Peter Gichuki** | **DOB** : 1976<br>**Qualification**: Degree (Bed Science)<br>**Work Experience**: 19 years<br>**Position:** County representative Admin |
| <br>**Patrick N. Mwangi** | **Position**: Managing Director<br>**DOB**: 1962<br>**Qualification**: Higher Diploma Water Engineering<br>**Work Experience**: Over 32yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water |

| | |
|---|---|
| **James Muiruri Njoroge**<br> | Technical Manager<br>**Professional Qualification**<br>Water & Environmental Engineering<br>**Academic Qualifications**<br>B.Sc. Environmental Science, Dip. in Water Engineering & M.Sc. Environmental Engineering & Management ongoing<br>**Experience**<br>14 yrs. Experience in management of Water and Sanitation Services in Rural and Urban WSPs. |
| <br>**Jacqueline Wangari Murigi** | **Position: Company Secretary**<br>**DOB:** 1989<br>**Qualifications:** Holds a Bachelor's Degree in Law (LLB) from the Catholic University of Eastern Africa, Post Graduate Diploma from the Kenya School of Law, a Masters Degree in Public Policy and Administration from Kenyatta University, a Diploma in Human Resource management, a registered Certified Secretary (CS) and a certified mediator (CPM).<br>**Membership**: a member of the Law Society of Kenya, Institute of Certified Secretaries and Associate Member of the Institute of Human Resource Management.<br>**Work Experience**<br>An advocate of the high court with over nine years' experience serving as the Director – Legal Services, Department of Water.<br>Currently supporting the Board of Directors of Gatundu Water & Sanitation Services in offering secretarial services. |

## 4. Key Management Team

| Managers | Details |
|---|---|
| 1. Patrick N. Mwangi  | Managing Director (July 2023-December 2024)<br>**Professional Qualifications:**<br>Water Engineering<br>**Academic Qualification:**<br>**Experience :** Higher Diploma Water Engineering<br>Over 30yrs experience in water sector i.e. Ministry of water & Karimenu Water, Gatundu Water |
| 2. James Muiruri Njoroge  | Technical Manager (Ag Managing Director Dec2023-September 2024)<br>**Professional Qualification**<br>Water & Environmental Engineering<br>**Academic Qualifications**<br>B.Sc. Environmental Science, Dip. in Water Engineering & M.Sc. Environmental Engineering & Management ongoing<br>**Experience**<br>14 yrs. Experience in management of Water and Sanitation Services in Rural and Urban WSPs. |
| 3. Fredrick Karanja Mwangi  | Managing Director (September 2024 To date)<br>**Professional Qualification**<br>Computer Science-<br>**Academic Qualification**<br>Post graduate in Human<br>Right and Gender Equality in<br>climate and Disaster Displacement:<br>Sweden<br>BSC Computer Science-<br>Kampala University, IMIS – Diploma- Kenya |

| | |
|---|---|
| | School of Monetary Studies<br>**Experience**<br>Over 10 Years in private and Municipality |
| 4. Emmah W. Chege<br> | Finance Manager<br>**Professional Qualifications:**<br>Accountancy<br>**Academic Qualifications:**<br>CPA K, Bachelors of commerce & M.Sc. Finance and Accounting ongoing<br>**Experience:**<br>Over 10years experience in water sector Karimenu Water, Gatundu water |
| 5. David G. Muigai<br> | Commercial Manager<br>**Professional Qualifications:**<br>Water Engineering<br>**Academic Qualifications:**<br>Diploma in water technology<br>'O' Level Division two<br>**Experience:**<br>Over 30 years' experience in water sector ministry of water & Gatundu South Water company, Gatundu Water |
| 6. Nancy N. Waweru<br> | Human Resource Officer<br>**Professional Qualifications:**<br>Human Resource Management<br>**Academic Qualifications:**<br>Diploma in Human Resources & Management<br>**Experience:**<br>Over10 years' experience in water sector Karimenu Water, Gatundu Water |

| | |
|---|---|
| 7. Jessica N. Peter<br> | **Professional Qualifications:**<br>Procurement<br>Procurement Officer<br>**Academic Qualifications:**<br>Bachelors of purchasing & Supplies<br>**Experience :**<br>Over 10years experience in water sector Gatundu South Water company, Gatundu Water |
| 8. **Jacqueline Wangari Murigi**<br> | **Position: Company Secretary**<br>**DOB:** 1989<br>**Qualifications:** Holds a Bachelor's Degree in Law (LLB) from the Catholic University of Eastern Africa, Post Graduate Diploma from the Kenya School of Law, a Masters Degree in Public Policy and Administration from Kenyatta University, a Diploma in Human Resource management, a registered Certified Secretary (CS) and a certified mediator (CPM).<br>**Membership**: a member of the Law Society of Kenya, Institute of Certified Secretaries and Associate Member of the Institute of Human Resource Management.<br>**Work Experience**<br>An advocate of the high court with over nine years' experience serving as the Director – Legal Services, Department of Water.<br>Currently supporting the Board of Directors of Gatundu Water & Sanitation Services in offering secretarial services. |

## 5. Chairman's Statement

I am pleased to present the Annual Report and Financial Statement for the year ending 30th June 2024. During this period, GATWASCO remained steadfast in its commitment to serving our valued consumers. Our focus has been on ensuring that every drop of water produced by our treatment systems meets the highest standards of quality and safety. Our team of experts consistently strives to exceed regulatory requirements and implement best practices in water treatment and distribution.

Despite our efforts, we encountered significant challenges during the reporting period. Low billing was driven by reduced water production in the first quarter due to a prolonged dry spell, and decreased water consumption during the heavy rains of the second and fourth quarters. Additionally, heavy rainfall in the fourth quarter caused substantial damage to our major intakes and transmission mains.

However, we also achieved several significant milestones during this period:

1. We implemented strategies to gradually reduce operational costs, including initiatives aimed at reducing Non-Revenue Water (NRW) and automating services through our ERP system.

2. In partnership with development partners such as the Athi Water Works Development Agency (AWWDA) and the Kiambu County Government, we undertook several infrastructure expansion and last-mile projects. These efforts included ongoing construction of new water schemes and the rehabilitation of aging pipelines, all aimed at enhancing service reliability and operational efficiency.

3. We implemented several initiatives to enhance customer service, including the establishment of dedicated customer support centers, hosting customer clinics during market days, and actively seeking feedback through our online platforms. Additionally, we introduced a weekly Customer Outreach Program, where staff engage directly with customers every Wednesday to address their concerns.

4. We launched initiatives aimed at conserving water resources, collaborating with local communities, institutions, and the County Government of Kiambu to raise awareness about preserving natural resources for future generations. Our efforts included tree planting in

various watersheds, marking riparian reserves, and educating farmers on suitable trees and crops for these areas.

Looking ahead, we remain optimistic about GATWASCO's future. We will continue investing in infrastructure development and technological integration to enhance our operational capabilities and reduce costs. Our strategic priorities include expanding water and sewer coverage and reducing NRW, which will be achieved through the completion of the Gatundu Water & Sewer Project, the implementation of Water Sector Trust Fund (WSTF) CLSG II interventions, and the introduction of a new cost-effective water tariff.

In conclusion, I extend my heartfelt appreciation to our shareholders for their trust and confidence in GATWASCO. I am also deeply grateful to the Board of Directors, management, and staff for their dedication and hard work throughout this reporting period. Together, we will continue to drive positive change, improve lives, and make a lasting impact on the communities we serve

**MARTIN N. KAHURA**
**BOARD CHAIRPERSON**

## 6. Report of the Managing Director

I am delighted to present the Managing Director's report for the financial year ending 30th June 2024. This year has been marked by both challenges and accomplishments that have defined GATWASCO's journey toward operational excellence and improved service delivery.

During the reporting period, our team worked diligently to maintain the quality and reliability of our services, despite external challenges. The prolonged dry spell in the first quarter significantly impacted water production, while heavy rains in the second and fourth quarters led to reduced water consumption and caused considerable damage to our infrastructure. Nevertheless, we responded promptly and effectively to these challenges, implementing measures to ensure continued service delivery to our customers.

The reduction in water production, coupled with the weather-related challenges, led to lower-than-expected billing and revenue performance. Total water production for the year stood at 3,906,486 cubic meters, reflecting a 25% decrease compared to the previous year. However, we proactively addressed these challenges by focusing on cost-saving measures and efficiency improvements across our operations.

Other challenges being faced by the Company include;

a. High operational costs caused by operations and maintenance of old dilapidated infrastructure.

b. Insufficient resources hindering our ability to address critical issues, such as the augmentation of distribution pipelines, rehabilitation of water treatment plants and intakes, and metering improvements.

c. Non-payment of bills by customers, who often resort to relying on rivers and community water projects after disconnection, has contributed to an increase in inactive connections.

d. The prevalence of illegal connections and bypasses remains a persistent challenge.

Despite the challenges, GATWASCO achieved several key milestones during the financial year:

1. Through strategic initiatives aimed at reducing Non-Revenue Water (NRW) and automating services via our ERP system, we maintained a NRW of 33%. These measures are part of our broader efforts to enhance operational efficiency.

2. In partnership with Athi Water Works Development Agency (AWWDA), the County Government of Kiambu, and other development partners, we made significant progress in infrastructure development. This includes the ongoing construction of new water schemes whereby utilization progress stands at 65%, the rehabilitation of 52km aging pipelines, and laying of 22km last-mile water pipelines. These initiatives are crucial to improving service reliability and expanding our coverage.
3. We placed a strong emphasis on improving customer service. The establishment of dedicated customer support centers, regular customer clinics during market days, and active engagement on our online platforms have all contributed to a more customer-centric approach. Our weekly Customer Outreach Program has allowed us to address customer concerns directly, ensuring that we remain responsive to their needs.
4. We also made strides in conserving water resources by engaging with local communities, institutions, and the County Government of Kiambu. During the reporting period we planted 30,000 trees, marked 3okm riparian reserves, and participated in educating farmers on sustainable agricultural practices reflecting our commitment to preserving our natural resources for future generations.

As we move forward, GATWASCO remains focused on building a resilient and sustainable water utility. Our priorities for the upcoming year include expanding water and sewer coverage, reducing NRW, and completing key projects such as the Gatundu Water & Sewer Project. We will also continue to invest in technology and infrastructure to further improve our operational capabilities. We anticipate that the implementation of WSTF CLSG II interventions and the operationalization of a new cost-effective water tariff will significantly boost our financial performance in the coming year. These initiatives will allow us to enhance our service delivery and meet the growing demand for water services in our area of operation.

I would like to express my gratitude to the Board of Directors for their guidance and support, and to our dedicated staff for their hard work and commitment throughout the year. I would also like to extend my thanks to our shareholders for their continued trust in GATWASCO.

**FREDRICK MWANGI**

**MANAGING DIRECTOR**

## 7.Statement Of Performance Against Predetermined Objectives for FY 2023/2024

*GATWASCO* has *nine* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018/2019- FY 2023/2024. These strategic pillars/ themes/ issues are as follows:

| | THEMATIC AREAS | OBJECTIVE | KEY PERFORMANCE INDICATORS | ACTIVITIES | ACHIEVEMENTS |
|---|---|---|---|---|---|
| 1. | Water sources, production and treatment | Increase water production from 27,440m³/day to 52,440m³/day | Increase surface water production by 27,440m³/day | implementation of Ruabora, Handege, Ngenda, Gatei, Kanyoni and Kariua/Dry water schemes | 0% achieved . Overall progress at 70%. |
| 2. | Operation and Maintenance (Water Distribution) | Increase water coverage from 68% to 85% | -No. of last mile water connections installed | Extend distribution network by 115km, increase storage capacity, and upgrade transmission pipelines | Achieved 68% |
| 3. | Operation and Maintenance (Wastewater Collection and Treatment) | Increase sewer coverage from 0% to 8%. | -No of sewer connections installed | Development of sewer infrastructure at Gatundu Town and environs | Achieved 0%. Gatundu water Project 60% complete |
| 4. | Commercial Operations | Reduce the average age of consumer meters to 8 years by 2024 | -Improved meter reading efficiency | replacement of old meters | -Attained meter reading efficiency of 89% |
| | | Attain 100% billing efficiency | -Reduction of NRW<br>-Increase in billing | -100% Automation of billing system<br>-Procurement of 100 smart phones for ease of communication with the new billing system | -Achieved Billing efficiency of 67% |
| 5 | Financial Stewardship | Increase revenue collection efficiency from 85% to 96%. | -Reduced debtors days<br>-Improved revenue collection efficiency | Reduce average debtor days, integrate pay points and billing systems, apply for cost recovery tariff | -Reduced debtors days from 120 to 90 days<br>-Achieved revenue collection efficiency of 99% |

| | | | | | |
|---|---|---|---|---|---|
| 6. | Human Resource Management | Improve staff satisfaction levels | Improve staff satisfaction levels by 5% | Conduct annual refresher courses, improve staff terms, develop a performance contracting culture, Reduce personnel costs, align job descriptions, and reduce work-related accidents | Staff satisfaction level improved b. 1% |
| 7. | Information Communication & Technology (ICT) | Make the company paperless by 2023 | - All staff have access to a computer<br>- All offices are connected to fiber cables or have a modem<br>- Data backup in place | Establish wide area network connectivity, achieve 1:1 computer ratio, and ensure 100% security of data and operations | -100% security of data and operations already in place<br>-Company at 95% paperless |
| 8. | Management of Non-Revenue Water | Establish NRW teams and reduce NRW levels to sector standards | - NRW team in place<br>- KMZ maps of water infrastructure<br>- Reduction of NRW to 25% | Establish active NRW team, profile NRW in the distribution network, eradicate illegal connections, GIS mapping of water and sewer networks | -NRW team constituted<br>-100% mapping of water infrastructure<br>-NRW reduced from 34% to 33% |
| 9. | Brand Equity | Increase visibility to 85% and customer satisfaction to 70% by 2024 | -Company website in place<br>-Branded assets<br>-Staff ID cards generated<br>-Company ISO certified | Branding of assets, creation of staff brand identity, an operational website, and ISO certification progress | - Company visibility at 90%<br>-Customer satisfaction at 65%<br>-Branding of assets done<br>-Company website in place<br>-All staff have ID cards |

**Appointment and Removal of Directors**

As a water service provider, GATWASCO is regulated by the Water Services Regulatory Authority (WASREB) and therefore bound to comply with the Corporate Governance Guidelines for the Water Services Sector, 2018. In line with these guidelines, the board is composed of 7 members, three being nominees representing the County Government's Departments responsible for Finance and Water matters; and also, the County Secretary. The other four members are competitively sourced in line with the qualification criteria specified and also ensuring that there is representation from the community within the company's area of service.

**Roles and responsibilities, board charter, conflict of interest and ethical conduct**

The board is responsible for governance, oversight, and major decision making, representing the interests of stakeholders and the shareholder. In execution of this role, the board approves the company's strategic plan, an annual budget and annual procurement plan. In addition, the company ensures that there is a business plan and annual plans to implement the strategic plan. The board of directors signs a performance contract with the Managing Director who in turn cascades it to the management team and all staff. The board of directors also ensures that there is an audited set of accounts prepared in accordance with the Public Finance Management Act which contains an audit opinion, which is made available to them every 12 months.

In terms of compliance, the board also ensures that the company complies to all laws, regulations through the assistance of the company secretary. The board is also responsible for communication with stakeholders through a well-publicised annual stakeholders' forum and holding an annual general meeting.

All board roles and functions are spelled out in the Board Charter. This charter also requires all board members to familiarise themselves with the Code of Ethics and sign it.

The board of directors approved an Anti-Corruption Risk Management Policy which has a clause on conflict of interest, where a Conflict of Interest Register if maintained. Members are required to declare any conflict of interest in any matters in board agenda in advance before meetings are held.

**Board succession policies and period in office**

Gatundu Water and Sanitation Company Ltd avoids a situation where all Board members retire at the same time; in that, two thirds of the Board members other than those from the County Government, retire from office by rotation every three years. The retiring members are determined on the basis of those who have served longest.

**Number and nature of meetings held in the financial year 2023/2024**

| No. | Nature | | Frequency (No. of times) |
|---|---|---|---|
| | **Full Board Meetings** | | |
| A | Regular Full Board meetings | | 4 |
| | **Other meetings attended by all Board members** | | |
| B | Special meeting | | 2 |
| C | Board field visit, Retreat, Public Participation, AGM | | 3 |
| | **Sub- total** | | **9** |
| | **Committee Meeting** | | |
| | **Regular committee meetings** | | |
| A | Finance and Administration Committee | | 4 |
| B | Technical committee | | 4 |
| C | Audit Committee | | 4 |
| | **Special Committee meetings** | | |
| D | Select Committees, Special Committees | | |
| | **Sub-total** | | **12** |
| | **Grand Total No. of meetings held** | | **21** |

**Board and member performance and Governance Audit**

The Corporate Governance Guidelines for the Water Services Sector of 2018 provide that the board shall evaluate its performance once every year and set up achievable action points to achieve, assess its performance as a whole and that of individual members including the managing director. In this regard the board approved a board performance tool that shall be used to evaluate its performance in in the current financial year.

A governance audit is scheduled to be carried out in the current financial year as in order to evaluate the company's leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, board independence and governance, board systems and procedures, shareholder and stakeholder value enhancement and Corporate Social Responsibility.

During the year the County Government of Kiambu appointed Independent board of directors. The duties and role of the Board of Directors are as stipulated in the Board Charter which includes the following:

- Strategic Management
- Identification and management of risks
- Company's financial oversight
- Succession planning and evaluation of management performance
- Oversight of communications and public disclosure
- In charge of corporate Governance

The following Board committee have been established with specific duties and meet quarterly as minimum

- Audit & Risk Management Committee
- The Finance and Administration Committee
- Technical Committee;

The remuneration of Directors is determined by the annual general meeting within the maximum approved by shareholders guided by the Government of Kenya Regulations (Water Services Regulatory Board) from time to time. The Chairman is paid a monthly honorarium of Kshs. 15,000/-, monthly telephone allowance of Kshs. 2,000/-. The Chairman is paid a sitting allowance of Kshs. 18,572 while attending Board meetings and other functions, workshops and trainings sponsored by the Company. While attending a meeting or such function within Kiambu County and its environs, the Chairman is paid a lunch allowance of Kshs. 1,000 and transport allowance of Kshs. 2,000/-. Directors will be paid a sitting allowance of Kshs 14,286 while attending Board and committee meetings, and other functions, workshops and trainings sponsored by the Company. Where the meeting or function is within Kiambu County, the Directors are entitled to a lunch allowance of Kshs 1,000.00 (where no lunch is provided) and transport allowance of Kshs 2,000.00.

## 9. Management Discussion and Analysis

**Operational and financial performance are as illustrated in the table below;**

| NO. | PARAMETER | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| 1 | Water Production (m3) | 7,471,828 | 7,169,376 | 7,415,508 | 5,216,907 | 3,906,486 |
| 2 | Billing (Kshs) | 138,379,711 | 125,391,473 | 137,620,852 | 131,408,018 | 115,361,751 |
| 3 | Miscellaneous Income (Kshs) | 2,873,038 | 3,489,957 | 4,956,755 | 10,310,829 | 9,171,171 |
| 4 | NRW (%) | 35% | 34% | 35% | 33% | 33% |
| 5 | Operational Expenditure (Kshs) | 142,247,966 | 136,367,667 | 146,932,368 | 160,508,253 | 184,309,290 |

**Development Projects**

a) Africa Development bank in partnership with Government of Kenya through Athi Water Works Development Agency is implementing a project under the Kenya Towns Programme. Under the programme, we have the following projects as one project:

- Gatundu Sewerage project
- Handege water project
- Ruabora water project
- Ngenda water project

The projects are at 62%implementation stage.

b) Still through AWWDA and in partnership with AXIM bank, the GOK is doing Karimenu II dam. The project is operational where 70,000 of water is treated per day. Karimenu II serves Gatundu, Rujwasco, Githunguri and Kiambu Water services providers. Gatundu Water is supplied approximately 3,000m3/day through four offtakes at Wamwangi, Gatundu, Ichaweri and Kahuguini.

c) Through AWWDA, we have reinstated pipelines of HDPE and sizes ranging from 160mm to 25mm in areas that were destroyed during roads construction works. There areas include Ruburi, Ritho, Karinga, Wamwangi and Ituuru.

**Company's compliance with statutory requirements**

The company takes cognisance of the importance of complying with all statutory requirements including those related to water quality, taxation, third party deduction deadlines, regulatory, employee relations, among others. The Company's Legal and Corporate Affairs department and the Company Secretary have as part of their duties monitor and report on all compliance aspects that the company is obliged towards. During the year the company's operations were in compliance with all statutory requirements.

**Major risks facing the entity**

The Board of Directors has ultimate responsibility for risk management. It is supported and advised by the Internal Audit and Risk Committee oversees the management of current and future risks in line with the risk appetite approved by the Board.

The Board of Directors have continued to review risks and make appropriate recommendations to mitigate them through the company's ERM framework, which includes an approved Risk Management Policy and Risk Criteria.

The company is exposed to the following types of risks;

**Environmental Risks**

These are risks that lead to reduction in water from the catchment areas hence jeopardising the company's ability to carry out its core function of provision of potable water to its residents. These risks are diverse and include biodiversity loss and ecosystem collapse, failure to mitigate climate change and natural disasters & extreme weather events.

**Financial Risks**

Financial risks include the inability of the company to meet its financial obligations as they fall due caused by several factors including; non-payment by customers/consumers, loss of revenue through illegal connections, bursts and leakages leading to high Non-Revenue Water, increased cost of production, changes in laws and regulations, introduction of additional levies, loss of customers among others.

**Operational Risk**

These are risks associated with inability to carry out the normal operations of water treatment, reticulation, treatment and discharge of wastewater to the natural environment. The major risks include over reliance on one source of energy for pumping both raw and treated water, aged and dilapidated water treatment and distribution infrastructure and risks associated with human resource capability to efficiently carry out operations.

**ICT Failure and Cybersecurity Risks**

With ever-increasing reliance on ICT in carrying out business, there is present risk of failure caused by either equipment or human factors. With advancement in technology and increase in cyber-attacks, these risks remain a reality in our business as they could lead to loss of data, financial losses or breaches in laws and regulations.

**Legal risk.**

This is the risk of incurring legal liabilities and obligations resulting from suppliers suing the company for breach of laws and contracts and being surcharged for failing to comply with the laws and regulations.

**Material arrears in statutory /financial obligations**

By close of the financial year the company did not have any arrears in statutory obligations, however material arrears for the below remained outstanding;

1. Defunct Athi Water Services Board (AWSB)
2. Water services Regulatory Board
3. Water Resources Authority

## 10. Environmental and Sustainability Reporting

GASWASCO slogan is everybody lives downstream. This is our purpose and the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, providing water services and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### *i) Sustainability strategy and profile -*

To enhance Sustainability, the GATWASCO has been able to achieve the following over time:

The company through AWWDA has been able to:

- Construct intake works at Thiririka river and lay 5km of 250mm uPVC (inter basin water transfer) to Theta dam
- Upgraded Ruabora intake and laying 2.5km of 160mm and 110mm
- Improved Gacharage intake through desilting and expanding washout arrangements and construction Mwonothia intake.
- Construction of Marigoiti intake, laying 3.0Km of 110mm HDPE pipeline and two number composite filtration units and backwash tank arrangement.
- Lay over 270km of HDPE pipe of diameters ranging from 160mm to 25mm to reinstate the areas that were destroyed due to the ongoing roads construction works.
- Through AWWDA, three water projects are ongoing i.e. Ngenda, Ruabora (Wamuguma) and Handege and Gatundu town sewerage works.
- Improved working conditions for staff

However, the company is faced by the below mentioned challenges;

- Old and dilapidated pipes that requires regarding
- Water theft (Illegal connections)
- Inadequate funds for pipeline extensions
- Mass destruction of pipes due to ongoing roads construction works.
- Vandalism

### *ii) Environmental performance*

- Gatwasco always ensure that the water given to consumers meets the required standards by undertaking daily jar tests and taking water samples to registered laboratories.
- We ensue that leakages and bursts are attended to immediately reported so as to avoid waste and occurrence of land slides

- During rainy seasons, we partner with WRUAS to do tree planting near the water sources
- We always ensure that the backwashing water does not enter directly to the river but passes through a lagoon

During the year the company partnered with the community and Water Resource Users Associations (WRUAs) on planting of indigenous tree seedlings in an effort to conserve the environment and protect the catchment areas.

***iii) Employee welfare***

The Human Resource Policy guides the company. The documents take into account the hiring process where gender ratio is well explained. The company also pays for short courses in collaboration with other institutions to improve on the employees' skills. The company also organises for medical clinics where the medical test for respective employees are done at will.

***iv) Market place practices-***

The company always ensures steady supply of clean and treated water to the customers. The company engages with the suppliers having followed all the necessary required procurement procedures and maintains a good supplier relationship.

***a) Responsible competition practice.***

Gatwasco tariff is approved by Wasreb, the company uses CSR initiative to promote social welfare and environmental protection. The company offer fair wages, safe working environments, and adhere to labor laws. The company does not engage in monopolistic or anti-competitive behavior

***b) Responsible Supply chain and supplier relations***

Gatwasco maintains good relation with its suppliers where it ensure incase of not able to pay within timelines notifies them and maintains a payment plan.

***c) Responsible marketing and advertisement***

Gatwasco customer service is well displayed in all offices, all the adverts are placed in the company website and daily nation for adverts that pertains to public

***d) Product stewardship***

Gatwasco maintains a toll free number for reporting complaints; Gatwasco ensures it maintains data privacy for its consumers. The company also holds Consumer Education and Awareness Programs

### v) Corporate Social Responsibility / Community Engagements

The company also ensures it promotes and is sensitive on preservation and protection of the environment by involving the youth in trees planting and cleaning the market places every month. The company provided mineral water during Mashujaa day celebration on12th December 2023, Jamhuri Day 12th December 2023 and Madaraka day 1st June 2024.

**Tree planting**

During the financial year, the company engaged in an exercise of securing and conservation of Kiambu County water catchment areas at Kinare forest. During tree planting day the company acquired 5,000(Five thousand) graverian tree seedlings amounting to Ksh 100,000 (One hundred thousand only). The company purchased indigenous trees, Hass Avocado and bamboo seedlings. The company also received 3,000 (three thousand seedlings) donation from Equity Bank both in kind.

## 11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the company's affairs.

### i) Principal activities

The principal activities of the Company is to ensure and efficient and effective provision of water and sanitation Services in its area of jurisdiction

### ii) Results

The results of the company for the year ended June 30, 2024 are set out on page 1. Below is summary of the profit or loss made during the year.

### iii) Directors

The members of the Board of Directors who served during the year are shown on page vii-viii In accordance with Regulation of the company's Articles of Association.

### iv) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year ended June 30, 2024, in accordance to section 23 of the Public Audit Act.

## 12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the Company; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

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

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

**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 financial statements were approved by the Board on 27th September 2024 and signed on its behalf by:

| | |
|---|---|
| ………………………………………… | ………………………………………… |
| **Martin Ndung'u Kahura** | **Fredrick Karanja Mwangi** |
| **Chairperson of the Board** | **Managing Director** |

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

OFFICE OF THE AUDITOR-GENERAL
*Enhancing Accountability*

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

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

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

**Qualified Opinion**

I have audited the accompanying financial statements of Gatundu Water and Sanitation Company Limited set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gatundu Water and Sanitation Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

**Basis for Qualified Opinion**

**1. Trade and Other Receivables**

The statement of financial position reflects trade and other receivables net balance of Kshs.156,807,156 as disclosed in Note 18 to the financial statements which is net of provision for specific and general doubtful receivables of Kshs.12,869,571 and Kshs.17,164,740 respectively. The balance includes receivables which have been outstanding for over one hundred and twenty (120) days totaling to Kshs.162,896,507 and whose recoverability is doubtful. Management has not demonstrated efforts it has made to recover debts from its clients.

Further, specific provision for doubtful receivables amount of Kshs.12,869,571 represents debts which arose from Karimenu Water Company debts inherited from the Ministry of Water amount of Kshs.3,488,789 and debts inherited from Gatundu Water Company amounting to Kshs.9,380,782. This amount has been outstanding for more than ten (10) years with no movement over the years. No explanation was provided as to why the debts had not been recovered.

In the circumstances, the full recoverability of trade and other receivables balance of Kshs.156,807,156 could not be confirmed.

**2. Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.126,007,826 as disclosed in Note 22 to the financial statements. The amount includes Kshs.14,904,642 and Kshs.51,576,368 that have been outstanding for the period between 2 to 3 years and above 3 years respectively. Further, analysis of the payables ledger revealed that, trade payables from previous and current years did not form the first charge when funds are available and no explanation was given for this. In addition, the trade and other payables balance include employee payables of Kshs.9,304,257 which included unremitted statutory deductions and accrued staff salaries.

In the circumstances, the Company is exposed to the potential risk of nugatory costs arising from interest payments and penalties on overdue amounts.

### 3. Inconsistencies in the Financial Statements

Review of the financial statements revealed unreconciled variances between balances in the statement of profit or loss and other comprehensive income and corresponding balances in the statement of cash flows summarized as follows;

| Item | Statement of Profit or Loss Balances (Kshs) | Statement of Cash Flow Balance (Kshs) | Variance (Kshs) |
|---|---|---|---|
| Grant Income | 7,693,429 | 44,400,000 | 36,706,571 |
| Other Income | 2,954,844 | 616,444 | 2,338,400 |
| Staff Costs | 95,761,670 | 87,457,866 | 8,303,804 |
| General Expenses | 71,843,271 | 35,376,377 | 36,466,894 |
| Maintenance Expenses | 8,859,046 | 7,716,880 | 1,142,166 |
| Board Expenses | 2,631,530 | 2,555,658 | 75,872 |

In the circumstances, the financial statements may not be fairly stated.

### 4. Failure to Revalue Fully Depreciated Assets Still in Use

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.27,664,191. Review of the Company's asset register revealed that the Company had fully depreciated items that are still in use. The Company ought to have revalued these items in order for their useful values to be recognized in the statement of financial position.

In the circumstances, accuracy and completeness of property, plant and equipment balance of Kshs.27,664,191 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Gatundu 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 revenue budget and actual revenue on comparable basis amounting to Kshs.187,753,000 and Kshs.170,726,351 respectively resulting in under collection of revenue amounting to Kshs.17,026,649 or 9% of the budget. Further, the actual expenditure during the year under review was Kshs.179,916,567 against an approved budget of Kshs.274,065,960 resulting in under expenditure of Kshs.94,149,393 or 34% of the budget.

The under-funding and under-utilization affected the planned activities of the Company 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

**Other Matter**

**Prior Year Unresolved Issues**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

**Other Information**

The Management is responsible for the other information set out on page iii to xxx which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Gatundu Water and Sanitation Company Limited financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

**Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

**Basis for Conclusion**

**1. Violation of the Principles of Ethnicity and Regional Balancing**

In the year under review, one hundred and forty-three (143) out of one hundred and forty-five (145) members of staff or 99% were from one (1) dominant ethnic community. Further, employee records also revealed that one hundred and twelve (112) or 77% members of staff were the male while thirty-three (33) or 23 % were female. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community and Articles 232(1)(h) of the Constitution of Kenya, 2010.

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

**2. Excess Non-Revenue Water**

During the year under review, the Company produced 3,906,486 cubic meters (m3) of water. However, out of this volume only 2,620,075 cubic meters (m3) was billed to customers. The balance of 1,286,411 cubic meters or approximately 33% of the total produced water represents Non-Revenue Water (NRW). The NRW (unaccounted for Water) is 8% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The Non-Revenue Water may have resulted to loss of revenue estimated at 8% of water produced. Management has not demonstrated any efforts made to bring down non-revenue water to an acceptable level.

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

**3. Non-Compliance with Fiscal Responsibility Principles**

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.95,761,670 in respect of staff costs. This expenditure amounts to 72% of the total revenue amount of Kshs.132,226,351 received in the year under review. This was contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which provides for a maximum expenditure on compensation of employees of 35% of the Organizations total revenue.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

**Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

**Basis for Conclusion**

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for matters reported in the Basis for Qualified Opinion, I report based on my audit, that:

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

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

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

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

**Responsibilities of Management and Board of Directors**

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

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

**FCPA Nancy Gathungu, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**31 December, 2024**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.**

| | Note | 2023-2024 | 2022-2023 |
|---|---|---|---|
| | | Kshs | Kshs |
| **Revenue** | | | |
| Operating Revenue | 6 | 117,827,251 | 135,590,518 |
| Grants Income | 7 | 7,693,429 | 5,918,850 |
| Other Income | 8 | 2,954,844 | 3,774,411 |
| Finance income | 9 | 3,750,827 | 2,353,918 |
| **Total Revenue** | | **132,226,351** | **147,637,697** |
| | | | |
| **Expenses** | | | |
| Staff Costs | 10 | 95,761,670 | 93,105,537 |
| General and Operations expenses | 11 | 71,843,271 | 44,186,341 |
| Board Expenses | 12 | 2,631,530 | 4,059,361 |
| Maintenance Expenses | 13 | 8,859,046 | 12,556,615 |
| Depreciation and Amortization expenses | 14 | 5,213,773 | 6,600,399 |
| **Total Expenses** | | **184,309,290** | **160,508,253** |
| | | | |
| **Total Comprehensive Income For The Year** | | **(52,082,940)** | **(12,870,556)** |
| | | | |

## 15. Statement of Financial Position As at 30 June 2024

| | Note | 2023-2024 | 2022-2023 |
|---|---|---|---|
| | | Kshs | Kshs |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 15 | 27,664,191 | 29,746,421 |
| Intangible assets | 16 | 5,391,154 | 7,701,649 |
| **Total Non-Current Assets** | | **33,055,346** | **37,448,070** |
| **Current Assets** | | | |
| Inventories | 17 | 1,885,177 | 1,717,402 |
| Trade and receivable | 18 | 156,807,156 | 154,855,257 |
| Bank and cash balances | 19 | 84,653,862 | 50,776,293 |
| **Total Current Assets** | | **243,346,195** | **207,348,952** |
| **TOTAL ASSET** | | **276,401,541** | **244,797,022** |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Ordinary share capital and capiatl reserve | 20 | 19,542,952 | 19,542,952 |
| Retained earnings | 21 | 49,258,734 | 101,341,674 |
| **Capital and Reserves** | | **68,801,686** | **120,884,626** |
| **Current Liabilities** | | | |
| Trade and other payables | 22 | 126,007,826 | 80,096,937 |
| Customer Deposits | 23 | 41,804,308 | 40,734,308 |
| Deferred Income | 24 | 39,787,721 | 3,081,150 |
| **Total Current Liabilities** | | **207,599,855** | **123,912,395** |
| **TOTAL EQUITY AND LIABILITIES** | | **276,401,541** | **244,797,022** |

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

| | | |
|---|---|---|
| ............................ | ............................ | ............................ |
| **Fredrick K. Mwangi** | **Emmah W. Chege** | **Rev. Marin Kahura** |
| **Managing Director** | **Head of Finance** | **Chairman of the Board** |
| | **ICPAK M/No: 7827** | |

## 16. Statement Of Changes in Equity for the Year Ended 30 June 2024

| | Notes | Ordinary share capital | Capital reserve | Retained earnings | Tot |
|---|---|---|---|---|---|
| **As at July 1, 2023** | | **100,040** | **19,442,912** | **101,341,674** | **120,884,62** |
| Profit/(Loss) for the year | 14 | - | - | (52,082,940) | (52,082,940 |
| | | | | | |
| **Restated Balance At June 30, 2024** | | **100,040** | **19,442,912** | **49,258,734** | **68,801,68** |
| | | | | | |
| **Restated Balance As at July 1, 2022** | | **100,040** | **19,442,912** | **121,662,585** | **141,205,5** |
| Profit/(Loss) for the year | | - | - | (12,870,556) | (12,870,556 |
| Prior year adjustment | | | | (7,450,355) | (7,450,35 |
| **As at June 30, 2023** | | **100,040** | **19,442,912** | **101,341,674** | **120,884,62** |
| | | | | | |

*Note:*

The prior year adjustment pertains to the understatement of operational costs for bulk water supply.

## 17. Statement of Cash Flows for The Year Ended 30 June 2024

| | Note | 2023-2024 Kshs | 2022-2023 Kshs |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| **Receipts** | | | |
| Operating Revenue | | 117,968,129 | 126,092,203 |
| Other Income | | 616,444 | 987,628 |
| Finance Income | | 3,750,827 | 2,353,918 |
| Grants | | 44,400,000 | 9,000,000 |
| Customer Deposits | | 1,070,000 | 1,365,000 |
| **Total Receipts** | | **167,805,400** | **139,798,748** |
| | | | |
| **Payments** | | | |
| Staff Costs | | (87,457,866) | (93,794,771) |
| Board Expenses | | (2,555,658) | (3,904,415) |
| General And Operation Expenses | | (35,376,377) | (4,749,608) |
| Maintenance | | (7,716,880) | (35,681,106) |
| **Total Payments** | | **(133,106,781)** | **(138,129,899)** |
| **Net Cash From/(Used In) Operating Activities** | | **34,698,619** | **1,668,849** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Purchase Of Property, Plant And Equipment (PPE) | | (821,050) | (3,884,072) |
| **Net Cash From/(Used In) Investing Activities** | | **(821,050)** | **(3,884,072)** |
| | | | |
| **Increase/(Decrease) In Cash And Cash Equivalents** | | **33,877,569** | **(2,215,223)** |
| | | | |
| **Cash And Cash Equivalents At Beginning Of Year** | | **50,776,293** | **52,991,516** |
| | | | |
| | | | |
| **Cash And Cash Equivalents At End Of The Year** | | **84,653,862** | **50,776,293** |

## 18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | utiliza |
|---|---|---|---|---|---|---|
| | 2023-2024 | 2023-2024 | 2023-2024 | 2023-2024 | | |
| **Revenue** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | |
| Operating Revenue | 170,124,000 | -34,024,000 | 136,100,000 | 117,827,251 | 18,272,749 | |
| Grants | 82,000,000 | -38500000 | 43,500,000 | 46,193,429 | -2,693,429 | |
| Finance Income | 3,000,000 | 750,000 | 3,750,000 | 3,750,827 | -827 | |
| Other gains | 4,785,000 | -382,000 | 4,403,000 | 2,954,844 | 1,448,156 | |
| **Total Revenue** | **259,909,000** | **-72,156,000** | **187,753,000** | **170,726,351** | **17,026,649** | |
| **Expenses** | | | | | - | |
| Staff Costs | 111,480,000 | -9,560,000 | 101,920,000 | 95,761,670 | 6,158,330 | |
| Board Expenses | 5,410,000 | - | 5,410,000 | 2,631,530 | 2,778,470 | |
| General and operations Expenses | 153,425,960 | -12,740,000 | 140,685,960 | 71,843,271 | 68,842,689 | |
| Maintenance | 16,835,000 | -7,585,000 | 9,250,000 | 8,859,046 | 390,954 | |
| **Total Recurrent Expenditure** | **287,150,960** | **-29,885,000** | **257,265,960** | **179,095,517** | **78,170,443** | |
| **Profit or Loss** | **547,059,960** | **-102,041,000** | **445,018,960** | **342,977,960** | **787,996,920** | |
| | | | - | | - | |
| **Capital Expenditure** | **16,500,000** | **300,000** | **16,800,000** | **821,050** | **15,978,950** | |
| | | | - | | - | |
| **Total Expenditure** | **303,650,960** | **-29,585,000** | **274,065,960** | **179,916,567** | **94,149,393** | |

## VARIANCE ANALYSIS

### i) Revenue:

- The Company had budgeted to bill Kshs. 136,100,000 for Water Services and Meter rent during 2023/2024 financial year but only achieved the actual billing of Kshs. 117,827,251 which is 13% less of the budgeted billing. This was attributed by drought pandemic that affected the Country in the first quarter of the year. This affected the company projected daily production by 55%. Road works in parts of Ndarugu, Gituamba and Thiririka scheme affected our billings in the first quarter, as approximately 1,532 connections were not billed during the second quarter. The company had anticipated a tariff review in the second quarter, which ultimately did not materialize. In the third quarterthe company had expected the disbursement of funds from WSTF for the CLSG 2 grant however the funds were release in the last quarter and due to procurement process the project were not implemented during the financial year. The project intervention aimed to boost revenue, but the project was not implemented despite the opening of an escrow account.
- Under miscellaneous income the company had budgeted to achieve Kshs. 4,403,000 but the actual achievement was Kshs. 2,954,844 which resulted in under achievement by 33%. The company's underachievement was largely due to issues with water application, particularly in the third quarter, when the company stopped receiving payments for new applicants because of a meter shortage caused by delays in CLSG funding and financial constraints. However, Meter replacement was over achieved by 34% of the budgeted amount due to increase cases of meter theft in areas of Gatundu town and Gatukuyu scheme.
- The company earned interest of Kshs. 3,750,827 from the co-operative bank out of the customer deposit amount of Ksh 40Million invested in a fixed deposit account after its maturity in the last quarter.
- County Government of Kiambu channelled Ksh 5Million for development of nature park, rehabilitation of blocked storm water drains and installation of assorted pipes out of which Ksh 3,701,510 was incurred Ksh 1,298,490 was treated as deferred income. The company also received Ksh 38.5Million in May 2024 which was treated as deferred income as no activity took place under the Clsg 2 project.

**ii) Staff Costs:**

The company incurred a cost of Kshs. 95,761,670 against a budget of Kshs. 101,920,000 resulting to a variance of 6 %. This was attributed to non-operationalization of salary increment that was budgeted to take effect in the last quarter due to financial constraints. The housing levy was underutilized by 24% due to a two-month suspension in January and February 2024 caused by a court case that was ongoing then, which was later resolved in favour of continuing contributions.

**iii) Board Expenses:**

The company had budgeted to incur a total cost of Kshs 5,410,000 but the actual amount incurred during the year was Kshs. 2,631,530 resulting in underutilization by 51% of the budgeted amount. This was attributed to meetings which was scheduled to take place in the next financial year. However, board trainings were not undertaken during the financial year despite having been budgeted due to company financial constraints. Board remuneration was at 2.1% of total turnover.

**iv)General and operations Expenses**

- During the year the company had budgeted to spend Kshs. 63,685,960 but the actual amount incurred under administration expenses was Kshs. 71,843,271 resulting in an underutilization by 13%. Which was attributed to:
- The company had budgeted for a medical cover for the employees, which was not achieved during the financial year due to financial constraints.
- Staff training and workshop were underutilized by 72% due to financial constraints
- The company did not manage to sponsor its employees during the Wasco games that was conducted in Narok in the second quarter due to financial constraints.
- The company had budgeted to buy uniform for staff but due to financial constraints, this was not achieved.

**v) Maintenance Cost:**

The cumulative cost of operations was Kshs 8,859,046 as compared to budgeted amount of Kshs 9.250.000. The variance was attributed to:

- Bulk water from Karimenu 2 dam exceeded the budget due to additional offtake in Kariua offtake from September and Murram offtake from November
- The cost of maintenance of plant and equipment was underutilized by 77% since there were fewer incidences of plant breakdown.
- Crop compensation and wayleave payments were exceeded by 67% due to unexpected landslides triggered by heavy rains in Ndarugu and Gakoe, which impacted customers' land.
- County Government of Kiambu channelled Ksh 5Million for development of nature park, rehabilitation of blocked storm water drains and installation of assorted pipes out of which Ksh 3,701,510 was incurred Ksh 1,298,490 was treated as deferred income.
- The company had budgeted to spend Ksh 77Million under CISG 2 grant however despite disbursement of Ksh 38.5Million in the fourth quarter the cost was not incurred in the financial year due to procurement process.

**vi) Capital Expenditure:**

- During the year, the company acquired one laptop, consumer water meters of ¾'', 1'' and 1/2'' were issued for new connections and meter replacement.

## 19. Notes To the Financial Statements

### 1. General Information

Gatundu Water and Sanitation Company Ltd is established by and derives its authority and accountability from Company's Act cap 486 and Water Act 2018. The Company is wholly owned by the Kiambu County Government and is domiciled in Kenya. The Company's principal activity is to ensure and efficient effective provision of water and sanitation Services in its area of jurisdiction.

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

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

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

i. ***New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.***

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

*(The Directors 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)*

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.***

| Title | Description | Effective Date |
|---|---|---|
| IFRS 18 Presentation and Disclosure in Financial statements | The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. | The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted. |

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

### *iii. Early adoption of standards*

Gatundu water and Sanitation company ltd did not early – adopt any new or amended standards in year under review.

**Notes to the financial statements (continued)**

## 4. Summary of Accounting Policies

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

### a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Other income** is recognized as it accrues.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**b) In-kind contributions**

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

Below are items received in kind in form of items from County Government of Kiambu

| HDPE PIPES RECEIVED FROM COUNTY. | | |
|---|---|---|
| DATE | SIZE | QTY |
| 26/09/2023 | 32MM | 500 |
| 21/03/2024 | | 600 |
| **TOTAL** | | **1100** |
| | | |
| DATE | SIZE | QTY |
| 26/09/2023 | 50MM | 4100 |
| 21/03/2024 | | 7700 |
| **TOTAL** | | **11800** |
| | | |
| DATE | SIZE | QTY |
| 26/09/2023 | 63MM | 4200 |
| 21/03/2023 | | 4200 |
| **TOTAL** | | **8400** |
| | | |
| DATE | SIZE | QTY |
| 26/09/2023 | 90MM | 650 |
| 21/03/2023 | | 1750 |
| **TOTAL** | | **2400** |

Below are items received in kind in form of items from AWWDA

| HDPE PIPES RECEIVED FROM AWWDA | | |
|---|---|---|
| DATE | SIZE | QTY |
| 11/12/2023 | 25MM | 1500 |
| 20/12/2023 | | 6200 |
| 22/12/2023 | | 3950 |
| **TOTAL** | | **11650** |
| | | |

| DATE | SIZE | QTY |
|---|---|---|
| 11/12/2023 | 32MM | 1100 |
| 19/12/2023 | | 2600 |
| 21/12/2023 | | 9500 |
| **TOTAL** | | **13200** |
| | | |
| **DATE** | **SIZE** | **QTY** |
| 11/12/2023 | 50MM | 1100 |
| 19/12/2023 | | 400 |
| 20/12/2023 | | 1700 |
| 21/12/2023 | | 5200 |
| 22/12/2023 | | 6300 |
| **TOTAL** | | **14700** |
| | | |
| **DATE** | **SIZE** | **QTY** |
| 11/12/2023 | 63MM | 500 |
| 19/12/2023 | | 2200 |
| 20/12/2023 | | 4800 |
| **TOTAL** | | **7500** |
| | | |
| **DATE** | **SIZE** | **QTY** |
| 11/12/2023 | 90MM | 400 |
| 21/12/2023 | | 5100 |
| 22/12/2023 | | 4200 |
| **TOTAL** | | **9700** |
| | | |
| **DATE** | **SIZE** | **QTY** |
| 19/12/2023 | 110MM | 1100 |
| **TOTAL** | | **1100** |

### 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.

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

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

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

| Item | Years | Rates |
|---|---|---|
| Freehold Land | | Nil |
| Buildings and civil works | 10 | 10% |
| Infrastructure works | 8 | 12.5% |
| Plant and machinery | 10 | 10% |
| Motor vehicles, including motor cycles | 4 | 25% |
| Computers and related equipment | 3.3 | 30% |
| Office equipment, | 3.3 | 30% |
| Furniture and fittings | 8 | 12.5% |
| Computer software | 3.3 | 30% |

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

**e) Intangible assets**

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

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

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

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**g) Inventories**

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

**h) Trade and other receivables**

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

**i) Taxation**

**i) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**j) Deferred tax**

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

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

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

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

**k) Cash and cash equivalents**

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

**l) Trade and other payables**

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

**m) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2015. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month since February 2023.

**n) Provision for staff leave pay**

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

**o) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors on 12th May 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Ksh15.2Millionon the 2023-2024 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under these financial statements.

**p) Comparative figures**

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

**q) Subsequent events**

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

## 5. Significant Judgments and Sources of Estimation Uncertainty

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

### a) Estimates and assumptions

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

### b) Useful lives and residual values

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

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

### c) Provisions

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

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

Provisions shall be made for bad and doubtful debts at a rate of 10% on general doubtful debts. The bad debts should only be written off on the authority of the County Treasury in consultation with the National Treasury through the Board of Directors. Recommendation to write off any bad debt shall only be made only after all reasonable steps have been taken to recover the debt and the GATWASCO is satisfied that:

a. All legal and other measures have been exhausted, but there is still a balance of the debt remaining; and
b. Recovery of the debt would be uneconomical.

**Notes to the financial statements (continues)**

## 6. Operating Revenue

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| Water sales | 115,361,751 | 131,408,018 |
| Billing for other services* | 2,465,500 | 4,182,500 |
| **Total** | **117,827,251** | **135,590,518** |

*Billing for other services refers to income generated from reconnection fees charges.*

## 7. Grants Income

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| Recurrent/operational grants from other agencies | 7,693,429 | 5,918,850 |
| **Total** | **7,693,429** | **5,918,850** |

| Name of the Entity sending the grant | Amount recognized in the Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. KShs | Total grant income during the year KShs |
|---|---|---|---|---|
| County Government of Kiambu | 3,774,210 | 1,225,790 | - | 5,000,000 |
| AWWDA | 3,919,219 | 61,931 | - | 900,000 |
| Water Trust Fund | - | 38,500,000 | - | 38,500,000 |
| **Total** | **7,693,429** | **39,787,721** | - | **44,400,000** |

**Notes to the financial statements (continued)**

## 8. Other Income

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| Fine and penalties | 1,590,000 | 2,290,000 |
| Miscellaneous income | 1,364,844 | 1,484,411 |
| **Total** | **2,954,844** | **3,774,411** |

## 9. Finance Income

| | 2023-2024 | 2022-2023 |
|---|---|---|
| Description | Kshs | Kshs |
| Interest from commercial banks | 3,750,827 | 2,353,918 |
| **Total** | **3,750,827** | **2,353,918** |

{This is amount earned as a result of fixing customer deposit amount of Ksh 40Million earning an interest rate of 12% p.a.}

## 10. Staff Costs

| Description | 2023-2024<br>Kshs | 2022-2023<br>Kshs |
|---|---|---|
| Gross Salary and Allowances | 85,235,296 | 84,398,577 |
| Employer's contributions to social security schemes | 2,457,067 | 961,248 |
| Employer's contributions to pension scheme | 5,928,869 | 6,136,108 |
| Employer Contribution to Housing Levy | 992,478 | - |
| Gratuity provisions | 367,960 | 883,104 |
| Staff welfare | 780,000 | 726,500 |
| **Total** | **95,761,670** | **93,105,537** |
| **The average number of employees during the year** | **143** | **141** |

## 11. General and Operations Expenses

| Description | 2023-2024 Kshs | 2022-2023 Kshs |
|---|---|---|
| Chemicals | 9,998,600 | 9,604,988 |
| Electricity | 1,291,525 | 1,083,276 |
| Fuel, oil, lubricants, and gases | 6,434,766 | 4,493,663 |
| Bulk water Costs | 22,617,764 | |
| Office supplies | 337,663 | 390,735 |
| Uniform and protective clothing | 25,370 | 190,610 |
| Telecommunication | 724,002 | 801,684 |
| Postage and courier | 18,900 | 19,550 |
| Water Quality | 195,550 | 272,000 |
| Insurance | 906,633 | 629,540 |
| Hire of Equipment and vehicles | - | |
| Claims and compensation | 834,397 | 89,822 |
| Domestic Traveling and subsistence | 2,318,450 | 2,403,505 |
| Foreign travel and accommodation | - | - |
| Staff training and development | 139,550 | 1,097,650 |
| Bank Charges | 401,109 | 338,666 |
| Security services | 2,184,000 | 1,931,066 |
| Publicity and advertising | 88,106 | 214,968 |
| Audit fees | 302,485 | 232,000 |
| Legal fees | - | 145,000 |
| Consultancy fees | 950,040 | |
| Licensing and levies | 12,724,561 | 12,310,406 |
| Stakeholders' expenses | 527,415 | |
| Donations/CSR | 49,420 | 63,440 |
| Hospitality Expenses | 528,663 | 476,221 |
| Conservation expenses | 119,200 | 250,000 |
| Planning and Design | 211,920 | |
| Provision for doubtful debts | 219,752 | 1,228,702 |
| Project Cost Karimenu II | 3,081,150 | 5,918,850 |
| County Grant-Nature Park and drainage clearing | 3,774,210 | |
| Farmers compensation at Githobokoni | 838,069 | |
| **Total** | **71,843,271** | **44,186,341** |

**Notes to the financial statements (continued)**

## 12. Board Expenses

| Description | 2023-2024<br>KShs | 2022-2023<br>KShs |
|---|---|---|
| Chairman Honoraria | 180,000 | 180,000 |
| Sitting allowances | 2,415,185 | 3,077,146 |
| Induction and Training | 2,950 | 175,600 |
| Travel and accommodation | - | 590,100 |
| Other allowances | 33,395 | 36,515 |
| **Total Board Expenses** | **2,631,530** | **4,059,361** |

## 13. Maintenance Expenses

| Description | 2023-2024<br>Kshs | 2022-2023<br>KShs |
|---|---|---|
| Plant and Equipment | 30,180 | 139,970 |
| Buildings | 159,040 | 601,645 |
| Infrastructural networks | 4,688,665 | 8,292,442 |
| Motor vehicles | 440,539 | 560,222 |
| Software | 1,970,094 | 1,415,153 |
| ICT | 1,570,528 | 1,547,183 |
| **Total Maintenance Expenses** | **8,859,046** | **12,556,615** |

## 14. Depreciation and Amortization Expenses

| Description | 2023-2024<br>KShs | 2022-2023<br>KShs |
|---|---|---|
| Property, plant, and equipment | 2,903,278 | 3,299,692 |
| Intangible assets | 2,310,495 | 3,300,707 |
| **Total Depreciation and Amortization** | **5,213,773** | **6,600,399** |

**Notes to the financial statements (continued)**

## 15. Property, Plant and Equipment

| 2023-2024 | Freehold land | Water Infrastructure | Motor vehicles, including motor cycles | Computers & related equipment | Office equipment, furniture & fittings | Water Meters | Total |
|---|---|---|---|---|---|---|---|
| **Cost Or Valuation** | | | | | | | |
| At July 1, 2023 | 9,796,058 | 7,730,057 | 1,493,542 | 2,012,501 | 5,813,740 | 32,018,751 | 58,864,649 |
| Additions | - | - | - | 178,000 | | 643,050 | 821,050 |
| **At June 30, 2024** | **9,796,058** | **7,730,057** | **1,493,542** | **2,190,501** | **5,813,740** | **32,661,801** | 59,685,699 |
| **Depreciation** | | | | | | | - |
| At July 1, 2023 | - | 4,778,259 | 1,457,857 | 1,417,984 | 4,609,842 | 16,854,287 | 29,118,228 |
| Charge For The Year | - | 368,975 | 8,921 | 231,755 | 317,688 | 1,975,939 | 2,903,279 |
| **At June 30, 2024** | - | **5,147,234** | **1,466,778** | **1,649,739** | **4,927,530** | **18,830,226** | 32,021,507 |
| **Net Book Value At June 30, 2024** | **9,796,058** | **2,582,823** | **26,764** | **540,762** | **886,210** | **13,831,575** | 27,664,192 |

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

| 2022-2023 | Freehold land | Water Infrastructure | Motor vehicles, including, motor cycles | Computers & related equipment | Office equipment, furniture & fittings | Water meters | Total |
|---|---|---|---|---|---|---|---|
| **COST OR VALUATION** | | | | | | | |
| As at 1July 2022 | 9,796,058 | 7,730,057 | 1,493,542 | 1,535,500 | 5,023,579 | 29,401,842 | 54,980,578 |
| Additions | - | - | - | 477,001 | 790,161 | 2,616,910 | 3,884,072 |
| **As at 30th June 2023** | **9,796,058** | **7,730,057** | **1,493,542** | **2,012,501** | **5,813,740** | **32,018,751** | 58,864,649 |
| **DEPRECIATION** | | | | | | | |
| At July 1, 2022 | - | 4,356,574 | 1,445,961 | 1,163,191 | 4,164,876 | 14,687,935 | 25,818,536 |
| Charge for the year | - | 421,685 | 11,895 | 254,793 | 444,966 | 2,166,352 | 3,299,692 |
| **As at 30th June 2023** | - | **4,778,259** | **1,457,857** | **1,417,984** | **4,609,842** | **16,854,287** | 29,118,228 |
| **NET BOOK VALUE** | | | | | | | |
| **At June 30, 2023** | **9,796,058** | **2,951,798** | **35,685** | **594,517** | **1,203,898** | **15,164,464** | 29,746,421 |

In addition to asset under assets movement schedule, we have other assets owned by AWWDA whose ownership does not belong to the company whose process of having the ownership transferred to Gatundu water & Sanitation Company Ltd is ongoing.

**Notes to the financial statements (continued)**

## 16. Intangible Assets

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| **COST** | | |
| **At July 1 2023** | 11,505,100 | **531,500** |
| Additions | - | 10,973,600 |
| Disposals | - | |
| **At June 30 2024** | **11,505,100** | **11,505,100** |
| | | |
| **AMORTISATION** | | |
| **At July 1 2023** | 3,803,451 | **502,744** |
| Charge for the year | 2,310,495 | 3,300,707 |
| **At June 30 2024** | 6,113,946 | 3,803,451 |
| | | |
| **NET BOOK VALUE** | | |
| At June 30 2024 | **5,391,154** | **7,701,649** |

*[Intangible asset relates to ERP system acquired in FY 2022-2023]*

## 17. Inventories

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | Kshs |
| Chemicals & Laboratory items | 1,414,024 | 1,082,581 |
| Water fittings and Accessories | 245,635 | 341,026 |
| Water meters | 9,750 | 70,800 |
| Stationery and general stores | 215,768 | 222,995 |
| **Total** | **1,885,177** | **1,717,402** |

**Notes to the financial statements (continued)**

## 18. Trade and Other Receivables

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | KShs | KShs |
| Trade receivables (note (18a)) | 154,482,661 | 152,504,891 |
| Deposits and prepayments | 106,000 | 106,000 |
| Other receivables | 2,218,495 | 2,244,366 |
| **Net trade and other receivables** | **156,807,156** | **154,855,257** |

## 18. (a) Trade Receivables

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| Gross trade receivables | 184,516,972 | 182,319,450 |
| Specific Provision for doubtful receivables | (12,869,571) | (12,869,571) |
| General Provision for doubtful receivables | (17,164,740) | (16,944,988) |
| Net trade receivables | **154,482,661** | **152,504,891** |
| | | |
| **As at June 30, the ageing analysis of the gross trade receivables was as follows:** | | |
| | | |
| Less than 30 days | 1,122,416 | 1,114,600 |
| Between 30 and 60 days | 2,979,697 | 3,595,184 |
| Between 61 and 90 days | 2,448,352 | 3,353,817 |
| Between 91 and 120 days | 2,200,429 | 3,180,581 |
| Over 120 days | 162,896,507 | 158,205,697 |
| Inherited Debts | 12,869,571 | 12,869,571 |
| **Total** | **184,516,972** | **182,319,450** |

## 19. Bank and Cash Balances

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| Cash at bank | 84,551,290 | 50,360,482 |
| Cash in hand | 3,930 | 19,410 |
| Mobile money account | 98,642 | 396,401 |
| | **84,653,862** | **50,776,293** |

**Detailed analysis of the cash and cash equivalents**

| Cash & Bank Balances | Account number | 2023-2024 | 2022-2023 |
|---|---|---|---|
| Co-operative Expenditure (Main Account) | 01136555600000 | 43,129 | 7,443,792 |
| Equity Collection-GASWASCO | 0660293772335 | 165,629 | 304,367 |
| Equity Collection KARIWASCO | 0660262913879 | - | 119,964 |
| KCB Collection | 1102762105 | 4,143 | 123,731 |
| Co-op Collection | 01100073009101 | 362,236 | 689,907 |
| Mpesa | 893400 | 17,298 | 360,880 |
| Mpesa | 919400 | 81,344 | 35,521 |
| Petty Cash | | 3,930 | 19,410 |
| Co-operative Deposits | 01100073009100 | 42,610,501 | 41,541,268 |
| Co-operative Expenditure Karimenu | 01136073009100 | - | 630 |
| KCB Expenditure GASWASCO | 1102761990 | - | 16 |
| Family Bank Act | 004000030000 | 257,815 | 136,534 |
| KCB (WSTF) | 1287854915 | - | 273 |
| CLSG Escrow Account | 01692555600000 | 2,609,157 | - |
| CLSG Project Account | 01192555600000 | 38,498,680 | - |
| | | **84,653,862** | **50,776,293** |

**Notes to the financial statements (continued)**

## 20. Ordinary Share Capital

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| **Capital and Reserves** | | |
| Share Capital | 100,040 | 100,040 |
| Capital Reserves | 19,442,912 | 19,442,912 |
| | 19,542,952 | 19,542,952 |

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| **Authorized:** | | |
| 5,000ordinary shares of Kshs. 20.00 par value each | 100,000 | 100,000 |
| **Issued and fully paid:** | | |
| 2 ordinary shares of Kshs 20 par value each | 40 | 40 |

## 21. Retained Earnings

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| Retained Income / (Accumulated Loss) | 101,341,674 | 121,662,585 |
| Prior year adjustment | - | (7,450,355) |
| Net Profit/Loss this year | (52,082,940) | (12,870,556) |
| Restated Balance | 49,258,734 | 101,341,674 |

***Note:***

The prior year adjustment pertains to the understatement of operational costs for bulk water supply.

**Notes to the financial statements (continued)**

### 22. Trade and Other Payables

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| Trade payables | 106,414,729 | 71,219,674 |
| Accrued expenses | 10,288,840 | 417,456 |
| Employee payables | 9,304,257 | 1,009,452 |
| **Total** | **126,007,826** | **72,646,582** |

**Aging Analysis for Trade and other Payables**

| | 2023-2024 | % of the total | 2022/2023 | % of the total |
|---|---|---|---|---|
| Under one year | 52,761,244 | 42% | 27,396,893 | 38% |
| 1-2 years | 6,765,572 | 5% | 6,031,717 | 8% |
| 2-3 years | 14,904,642 | 12% | **1,749,975** | 2% |
| Over 3 years | 51,576,368 | 41% | 37,467,999 | 52% |
| **Total** | **126,007,826** | **100** | **72,646,582** | **100** |

### 23. Refundable Deposits and Prepayments

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | Kshs | KShs |
| Opening Balance | 40,734,308 | 39,379,308 |
| Add: deposits received during the year | 1,070,000 | 1,365,000 |
| Less: Refunded deposits during the year | - | (10,000) |
| **Closing balance** | **41,804,308** | **40,734,308** |

## 24. Deferred Income

| Description | 2023-2024 | 2022-2023 |
|---|---|---|
| | KShs | KShs |
| AWWDA | 61,931 | 3,081,150 |
| CLSG 2 Project | 38,500,000 | - |
| County Government of Kiambu | 1,225,790 | - |
| **Total deferred income** | **39,787,721** | **3,081,150** |

**Notes to the financial statements (continued)**

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

| | 2023-2024<br>Kshs | 2022-2023<br>Kshs |
|---|---|---|
| **(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations** | | |
| Profit or loss before tax | (52,082,940) | (12,870,556) |
| Depreciation | 2,903,279 | 3,299,692 |
| Amortization | 2,310,495 | 3,300,707 |
| Adjustment on Retained income | (7,450,355) | 18,603,885 |
| **Operating profit/(loss) before working capital changes** | **(46,869,166)** | **12,333,728** |
| | | |
| (Increase)/decrease in inventories | (167,776) | 1,106,804 |
| (Increase)/decrease in trade and other receivables | (1,951,899) | (11,200,036) |
| Increase/(decrease) in trade and other payables | 91,137,815 | 10,401,953 |
| | | |
| **Cash generated from/(used in) operations** | **42,148,974** | **12,642,449** |
| | | |
| **(b) Analysis of cash and cash equivalents** | | |
| | | |
| Cash at bank | 84,649,932 | 50,756,883 |
| Cash in hand | 3,930 | 19,410 |
| | | |
| **Balance at end of the year** | **84,653,862** | **50,776,293** |

**Notes to the financial statements (continued)**

**Other Disclosures**
**26. Related Party Disclosures**

**County Government of Kiambu**

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

Other related parties include:

- The County Department in charge of Water
- County Government of Kiambu
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others water service providers within Kiambu

**Transactions with related parties**

| | 2023-2024 Kshs | 2022-2023 Kshs |
|---|---|---|
| **a) Sales to related parties** | | |
| | | |
| Interest income from Co-operative Banks | 3,750,827 | 2,353,918 |
| **Total** | 3,750,827 | 2,353,918 |
| | | |
| **b) Purchases from related parties** | | |
| Bank charges paid to Commercial banks | 265,278 | 338,666 |
| **Total** | **265,278** | **338,666** |
| **c) Key management compensation** | | |
| Directors' emoluments | 2,631,530 | 3,077,146 |
| Compensation to key management | 10,666,557 | 11,606,124 |
| **Total** | **13,298,087** | **14,683,270** |
| **d) Due to Related parties** | | |
| Due to WASREB | 12,951,981 | 8,902,843 |
| Due to Athi Water Services Board | 61,100 | 32,420,138 |
| Due to WARMA | 12,352,854 | 12,420,854 |
| **Total** | **86,405,217** | **53,743,835** |

## 27. Contingent Assets and Liabilities

**Contingent Liabilities**

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | **Kshs** | **Kshs** |
| **Contingent liabilities** | | |
| Court case No. 163 of 2018 against Joseph Gathecha Vs Gatundu Water and Sanitation Company Ltd | 166,280 | 166,280 |
| Bank guarantees in favour of WASREB | 2,421,645 | 2,421,645 |
| **Total** | **2,587,925** | **2,587,925** |

## 28. Financial Risk Management

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

### (i) Credit risk

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

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

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:

| | Total amount Kshs | Fully performing Kshs | Past due but not Impaired Kshs | Past due and Impaired Kshs |
|---|---|---|---|---|
| **At 30 June 2024** | | | | |
| Trade Receivables | 184,516,972 | 20,120,593 | 151,526,808 | 12,869,571 |
| Other Receivables | 2,324,495 | 2,324,495 | | - |
| Bank balance | 84,653,862 | 84,653,862 | | - |
| **Total** | **271,495,329** | **107,098,950** | **151,526,808** | **12,869,571** |
| **At 30 June 2023** | | | | |
| Trade Receivables | 182,319,450 | 16,960,408 | 152,490,982 | 12,869,571 |
| Other Receivables | 2,350,366 | 2,350,366 | | |
| Bank balances | 50,776,293 | 50,776,293 | - | - |
| **Total** | **235,446,109** | **70,087,067** | **152,490,982** | **12,869,571** |

***Credit Risk (Continued)***

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

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

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the

Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** | **Total** |
|---|---|---|---|---|
| | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| At 30 June 2024 current year | | | | |
| Trade payables | **6,928,654** | **9,230,643** | **109,848,529** | **126,007,826** |
| **Total** | **6,928,654** | **9,230,643** | **109,848,529** | **126,007,926** |
| At 30 June 2023 | | | | |
| Trade payables | **2,316,465** | **3,625,841** | **66,704,278** | **72,646,583** |
| **Total** | **2,316,465** | **3,625,841** | **66,704,278** | **72,646,583** |

### (iii) Market risk

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

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

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

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

#### a) Interest rate risk

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the year.

***Financial instruments not measured at fair value***

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

**Notes to the financial statements (continued)**

**iv) Capital Risk Management**

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

| | 2023-2024 | 2022-2023 |
|---|---|---|
| | | Kshs |
| Retained earnings | 49,258,734 | 108,792,029 |
| Capital reserve | 15,542,952 | 19,542,952 |
| | | |
| **Total funds** | **64,801,686** | **128,334,981** |
| Less: cash and bank balances | **84,653,862** | **50,776,293** |
| Net debt/(excess cash and cash equivalents) | (19,852,176) | 77,558,688 |
| **Gearing** | **30%** | **60%** |

**29. Incorporation**

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

**30. Events After the Reporting Period**

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

## 20. Appendices

**Appendix 1: progress on follow up of auditor recommendations.**

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

| Reference No. On the external audit Report | Issue/Observations from Auditor | Management Comment | Status (Resolved/ Not Resolved) | Timeframe |
|---|---|---|---|---|
| 1. | **Anomalies in Operating Revenue** | The non-billing of the 1,218 active customers stemmed from extensive roadworks conducted within their vicinity, disrupting the water supply infrastructure. These road construction activities obstructed the flow of water to the customers' premises, making it impossible for us to deliver our services and generate accurate bills during the affected period.<br>In response to this situation, we implemented proactive measures to mitigate its impact on affected customers, including timely communication regarding service interruptions and adjustments to billing once the water supply was restored. Enclosed are copies of official notifications and correspondence with the affected consumers ,confirming the arears affected by roadworks. | Resolved | |

| | | | | |
|---|---|---|---|---|
| 2. | **Long outstanding Trade and Other Receivables** | The majority of outstanding debts originated from consumers affected by water interruptions due to the destruction of water pipelines during road construction in various areas within our jurisdiction. Consequently, the delay in reinstating the damaged pipes, owing to resource constraints, prompted consumers to seek alternative water sources such as shallow wells, boreholes, community irrigation projects, and direct extraction from rivers.<br>Concerted efforts have been made to engage consumers who have been inactive or dormant for extended periods. These efforts include the reinstatement of damaged pipes, public awareness campaigns regarding the risks of consuming untreated water, and the establishment of partial payment agreements. For consumers who fail to comply, demand notices are issued , and for those who persistently refuse reconnection, mains disconnections are implemented pending further legal actions for debt recovery.<br>To address the issue of uncollectible debts, management compiled a list totaling Ksh. 12,869,571 in accordance with the company's debt policy. This list was submitted to the board, which resolved to write off the debts. Management is currently following due process to formally write off these bad debts. | Not Resolved | Gradually |

| | | | | |
|---|---|---|---|---|
| 3. | **Assets with no Ownership Documents** | One motorcycle (registration number KBN 405E) was involved in an accident in 2010 and subsequently deemed a write-off by the insurer. The company received compensation in the same year. The other motorcycle (registration number KMCA 718H) had a typographical error in the logbook at the time of purchase in 2007, and we are actively collaborating with the Kenya Revenue Authority (KRA) to rectify this error. It's important to note that both of these **motorcycles** have completed their depreciation cycle. We have engaged the services of the public works department for a revaluation and are currently awaiting their report before proceeding with disposal. | Resolved | |
| 1. | **Poor Financial Performance** | The unexpected dip was attributed to the CLSG revenue grant of Ksh 38,972,051 received from WSTF in the last financial year 2021/2022 to mitigate impact of Covid pandemic.<br>To address this deficit, we are proactively exploring revenue enhancement strategies to bolster the company's financial standing. This involves a review of already expired tariffs to ensure the company breaks even on billings and costs. Additionally, we anticipate receiving a financing of Ksh 77 million from CLSG 2 managed by Water Sector Fund (WSTF), for which we have already signed an agreement to support our proposals that include last mile connectivity, NRW management and desilting | Resolved | |

| | | | | |
|---|---|---|---|---|
| | | of intakes. We are actively working to secure the necessary financial assistance to fulfill our obligations and ensure the continued viability of the company.<br>Attached herewith, please find proposed tariff communication from the regulator regarding the tariff review currently underway and the agreement with WSTF . | | |
| 2. | **Long Outstanding Trade Payable** | During the licensing negotiation meeting held on April 29, 2021 , the company presented a payment plan to WASREB, detailing its strategy for clearing the outstanding arrears. Subsequently, we have effectively reduced the debt from Ksh. 9.4 million to Ksh. 8 million by the conclusion of the financial year.<br>As for the payment of the outstanding WRA abstraction fee, an ongoing court case addresses the adjustment in charges from 0.5 cents to Ksh 5 per unit. Reconciliations will be undertaken once the court ruling is finalized, and subsequently, a repayment plan will be formulated where applicable. This will be feasible as the company anticipates an increase in billing and revenue with the completion of ongoing water and sewer projects, coupled with the implementation of a new tariff. | Not resolved | Gradually |
| 1. | **Failure to Deduct and Remit NSSF** | The three employees were enrolled in the Laptrust pension scheme, which was deemed a superior scheme. Prior to the Court of Appeal | Resolved | |

| | | | | |
|---|---|---|---|---|
| | **for Employees** | ruling in February 2023 regarding the application of the NSSF Act 2013 to all employees, individuals who were part of a superior pension scheme were not mandated to contribute to NSSF . It's noteworthy that these employees were originally seconded from the Ministry of Water and were participants in the Laptrust pension scheme, recognized as superior.<br>As of April 2023, all mentioned employees have been officially registered, and deductions are now being made in compliance with the statutory requirements outlined in the NSSF regulations. | | |
| 2. | **Violation of the Principle of Ethnicity and Regional Balancing** | Gatundu Water & Sanitation Co. Ltd., situated in a rural area, primarily draws its workforce from the local community. Moreover, a portion of our employees transitioned from both the former local and national governments. However, it's important to note that our company policy allows for the employment of personnel from any region, as demonstrated in our recent advertisement published in a nationally distributed newspaper . | Not resolved | Gradually |
| 3. | **Excessive Non Revenue Water** | WASREB issues guidelines on conditions that form part of our service provision agreement. The conditions have given timelines where, the company should reduce the levels of NRW progressively from 35% to 27% starting from | Not Resolved | Gradually |

| | | | | |
|---|---|---|---|---|
| | | FY 2021/2022 to FY 2025/2026. During the period under review, the company achieved a Non-revenue water (NRW) of 33%, that is within the agreed range with WASREB, and currently is as at 32% regardless of the prevailing challenges beyond our control that include:<br>a) Destruction of water infrastructure during road construction/grading within our area of jurisdiction.<br>b) Dilapidated water infrastructure inherited from the Ministry of Water which dates back in the 70's<br>c) Lack of enough NRW reduction equipment i.e. measuring and control devices.<br><br>To address the high NRW, the Company has put in place Strategies to gradually bring down the NRW to acceptable levels in line with Company SPA. Among the measures taken, include:<br>• Utilization of the performance matrix (outlining the service levels per walk route) by the monitoring/NRW unit. This has enabled continuous monitoring of NRW at the walk route level.<br>• Mapping of all water infrastructure through GIS. This is facilitating high level monitoring and identification of issues causing high water loss. In the FY 2022/2023, 1,445 bursts were identified | | |

| | | | | |
|---|---|---|---|---|
| | | and repaired and 9km pipelines of assorted sizes were rehabilitated.<br>• Development of funding proposals for provision of measuring and control devices. Approx. 44.9 Million has been secured under CLSG II conditional grant project for procurement of measuring and control devices.<br>• Daily measurement of water flow in major water distribution pipelines at strategic locations using ultrasonic flow meters. This assists in detection of bursts and leaks.<br>• Gradual replacement/servicing of all identified faulty meters. In the FY 2022/2023, 627no. Meters were serviced whereas 352no. Meters were replaced.<br>• Relocation of consumer meters close to the main pipeline. In the FY 2022/2023, 443no. meters were relocated<br>• Identification and disconnection of all illegal connections/bypasses and inactive dormant connections. Approx. 279 illegal connections and 885no. Dormant connections were disconnected from the mains during the FY 2022/2023. | | |
| 4. | **Unsupported Procurement** | In regards to the procurement of the billing system, a partial payment of Ksh 5,297,600, | Resolved | |

| | | | | |
|---|---|---|---|---|
| | **of an Enterprise Resource Planning Billing System** | constituting 50% of the billing and CRM module was made in adherence to the agreed-upon terms of the contract. Furthermore, the supplier (SPA) provided a project completion certificate , affirming the successful installation and configuration of the billing system. License will be issued upon full settlement of the balance as per the terms of agreement. | | |

**Fredrick K. Mwangi**

**Signature**

**Managing Director**

**Date** 16/12/2024

## Appendix II: Recording of Transfers from Other Government Entities

| Name of the County/MDA/Donor Transferring the funds | Where Recorded/recognized | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date received as per bank statement | Nature: Recurrent/ Development/Others | Total Amount - KES | Statement of Comprehensive income | Capital Fund | Deferred Income | Receivables | Others - must be specific | Total Transfers during the Year |
| AWWDA | 6th October 2023 | Recurrent | Ksh 900,000 | 838,069 | - | 61,931 | - | - | 900,000 |
| County Government of Kiambu | 18th July 2023 | Recurrent | 5Million | 3,774,210 | | 1,225,790 | | | 5,000,000 |
| Water Trust Fund | May 2024 | Conditional Grant | 38.5Million | - | | 38.5Millio | - | - | 38.5Millio |
| **Total** | | | **Ksh 44.4Million** | **4,612,279** | - | **39,787,721** | | | **44,400,000** |