

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**AMATSI WATER SERVICES COMPANY
LIMITED**

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



AMATSI WATER SERVICES 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)

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1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report

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

2. Key Entity Information

Background information

The Amatsi-Water services company Ltd was established by the 2002 Act of Parliament on 13th November 2005. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has branches/regions in Mbale, Susiana, Vihiga, Maseno, Kairos, Bumbo, Chango and Ebunangwe.

Principal Activities

The principal activity of the Company is to provide equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene and end open defecation, paying special attention to the needs of women and girls and who's in vulnerable situations in Vihiga County.

Directors

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

1.	Mrs. Josephine Vujehe Nyambasi	- Chairperson	- Appointed on 05 th May, 2021
2.	Dr. Robert Omula Kati	- Director	- Appointed on 05 th May 2021
3.	Mr. Wycliffe Imende Obuhuma	- Director	- Appointed on 05 th May 2021
4.	Dr. Boston Jairus Amayi	- Director	- Appointed in March 2023
5.	Mr. Meshack Mulongo	- Director	-Appointed in March 2024
6.	Mr. Tom Musungu	-Director	-Appointed in 2022

Company Secretary

The County Attorney

County Government of Vihiga

County Headquarters

P.O.Box 344-50300

Maragoli, Kenya

Registered Office

Lunyerere Water Station

Mbale-Chavakali Road

P.O. Box 740-50300

Vihiga, KENYA

Amatsi Water Services Company Limited
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Corporate Headquarters
Lunyere Water Station
P.O. Box 740-50300-Maragoli,
Mbale –Chavakali Road
Vihiga, KENYA

Corporate Contacts
Telephone: (254) 799945300
E-mail: amatsiwaterco@gmail.com
Website: www.amatsiwater.co.ke

Corporate Bankers

- i. Kenya Commercial Bank
Mbale Branch
P.O Box 344-50300
Maragoli
- ii. Co-operative Bank
Mbale Branch
P.O Box 960-50300
Maragoli
- iii. Equity Bank
Mbale Branch
P.O Box xxxx-50300
Maragoli
- iv. Safaricom Kenya Limited
Paybill no. 803783

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 County Attorney
County Government of Vihiga
P.O. Box 344-50300
Maragoli, Kenya

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3. The Board of Directors

Directors		Details
Mrs. Josephine Vijehe Nyambasi 	Chairperson of the Board	Date of appointment: 05/05/2021 Gender: Female Qualifications Bachelor of Development Studies Diploma in ICT Work Experience Over 30 years in administration
Mr. Wycliffe Imende Obuhuma 	Chairperson – Finance, HR and Administration Committee.	Date of appointment: 05/05/2021 Gender: Male Qualifications Bachelor of Education Work Experience Over 30 years in education sector, rose through the ranks to school principal.
Dr. Kati Omula Robert 	Chairperson – Technical & Audit Committee	Date of appointment: 05/05/2021 Gender: Male Qualifications -Doctorate degree in Philosophy-Pedology (Mathematics) -Masters of science degree in Mathematics Education -Bachelor of Education science Work Experience Over 20 years in education sector Currently lecturer at Kibabii University
Mr. Meshack Mulongo 	Director-CECM Water, Environmental and Natural resources.	Master's in Education linguistics. Masinde Muliro University of Science and Technology Bachelor of Arts in Education. Maseno University. Over 15 years of experience in education sector.

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Dr. Boston Jairus Amayi 	Director – CECM Finance and Economic planning	Date of appointment: 01/11/2022 Gender: Male Qualifications -Ph.D. in Economics -MA from Gandhigram Rural University -Bsc in Economics -Post graduate diploma in Business Management Work Experience Over 20years working experience in public sector currently the CECM Finance Economic Planning County Government of Vihiga.
Mr.Tom Musungu 	Director- Representative of LVNWWDA	Date of appointment: 01/11/2022 Gender: Male Qualifications -Masters of Business Administration (Marketing) -Bachelor of Sociology and Geography Work Experience Over 20years working experience in public sector currently the Chief Manager corporate services LVNWWDA
CPA. Edwin Bukweye 	Managing Director	-MBA Finance. -B.com Accounting Option. - CPAK. -Over 15 years working in the water sector.
Shijenje Teresiah Mutola 	Board Secretary	Date of appointment: March 2023 Gender: Female Qualifications -Bachelor degree in Law (LLB) -Post graduate diploma in Law Work Experience Over 6 years working -experience

4. Key Management Team

Amatsi Water Services Company Limited

Annual Report and Financial Statements for the year ended June 30, 2024

NAME	POSITION	QUALIFICATION
CPA. Edwin Bukweye 	Managing Director	-MBA Finance. -B.com Accounting Option. - CPAK. -Over 15 years working in the water sector.
Mr. Naftali Agalomba 	Technical Manager	-Higher National Diploma –Water Engineering -Diploma in Water technology
Mr. Herbert Mutiva Agola 	Ag.Finance and commercial Manager	-CPA Finalist

Amatsi Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

5. Chairman's statement

I am greatly honoured to present my statement for the financial year ending 30th June 2024 as the Chairman of Amatsi Water Services Company.

Despite the micro-economic uncertainty brought about by inflation, the Company remained resilient. Of concern were creeping inflation, high non-revenue water percentage and increase in un-regulated boreholes and water vendors. I'm however happy to report that despite these challenges we are confident that we are better placed to manage the shifting economic landscape.

I am honoured to having been appointed to the board as Chair and I shall work together with other Board members to build a solid governance framework anchored on transparency, accountability and trust.

Some of the Board's key highlights in the financial year 2023/2024 are tabulated as below;

Recruitment and appointment of a Managing Director	One of the recommendations by the Senate and taskforce was the recruitment of a substantive Managing Director	To help steer the Company into a viable organization hence improve service delivery
Enhanced Partnership with the County Government and other stakeholders	The Board has created an environment that has enhanced partnership with the County Government of Vihiga, WSTF, WASREB and other stakeholders	This has led to financial support and goodwill from the County government, WSTF, WASREB for water infrastructure development, licencing and tariff review respectively
Approval of the revised water tariff by WASREB	The Company now has a three year revised tariff approved by WASREB	This will improve the financial sustainability of the Company
Developed Strategic and Business Plans	The Board has approved the strategic and Business Plans for 2024-2028	This will guide the management in planning and allocating resources in a prioritised way.
Gazetment of Board of Directors	The Board of Directors have been gazetted.	Ensure compliance with the law

Conclusion

The Company looks forward to better performance in the coming years based on the work that the Board has done in identifying the challenges facing the Company and putting in place measures to turn around the business.

The board and staff has remained focused, united and diligent.

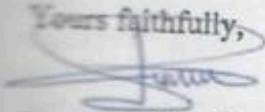
Amatsi Water Services Company Limited
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I wish to emphasize again how hard our team members in the Board and staff have worked during the year under review and thank them for their commitment and enthusiasm in remaining focused on meeting customers' needs and on issues that drive the Company for the benefit of all our stakeholders.

On behalf of the Board of Directors and management, I would like to thank our customers and all other stakeholders for their continued partnership and support. I would like to acknowledge the guidance and leadership that we continue to receive from the County Government of Vihiga and other development partners for the platform to move the Company to the next level.

God Bless you, God Bless Vihiga County, God Bless Kenya.

Yours faithfully,



Mrs Josephine Nyambasi
Board Chair.

6. Report of the Managing Director

It is my obligation to present to you the business performance highlights for the year ended 30th June 2024 and give insights to key areas of our operations that underlie the reported financial performance.

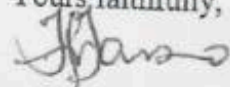
Procurement of 4No. motorbikes, 15 phones, 4No Laptops, 4 desktops and 5 printers	In the financial year under review, the management procured some items to help in service delivery	Improved service delivery
Approval of the Procurement Plan	The management ensured approval and implementation of the Procurement Plan during the entire period	This led to compliance with the PPOA regulations and prudent Financial Management.
Approval of the Annual Budget Estimates	The Management ensured approval and implementation of the Annual Budget Estimates during the entire period	This led to compliance with the Public Finance Act 2012 and prudent Financial Management.
Gross income	In the f/y 2023/2024 the management reported a gross income of Kshs.98,442,797 which was a decline from the f/y 2022/2023 performance by Kshs 934,393. The decline attributed to micro-economic challenges brought about by inflation and heavy rains	Availability of funds to cater for operations.
Billing and collection efficiency	The current year billing stood at Kshs 65M against last financial years of 60M an increase of Kshs 5M. The average revenue collection efficiency was 80%	The increase in billing was as a result of reduction in flat rate billing and purchase of phones for meter readers.
Surplus /deficit	The net loss for the year under review was Kshs 2.8M whereas the previous year was Kshs 10.8M a decline by Kshs 8M	The reduced losses are as a result of prudent financial management and improved billing

Conclusion

On behalf of management, I wish to thank the Board of Directors of Amatsi Water Services Company for its prudence, guidance and direction to the business and employees. I wish to express my appreciation to the entire staff for their dedication and support to the Company and its processes.

I also appreciate our trade customers and suppliers for the unwavering support to the Company. As we work together as a team, Awasco will be the envy of the Kenya water sector.

Yours faithfully,



CPA Edwin Bukweye,
Managing Director.

7. Statement of performance against Predetermined Objectives for FY 2023/2024

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Amatsi Water Services Company Limited has 8 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021/2022- FY 2026/2027. These strategic pillars/ themes/ issues are as follows:

- i. Enhanced and sustainable quality water resources, production and storage
- ii. Optimized transmission and equitable distribution of quality water
- iii. Reduction of Non-revenue water
- iv. Waste water management
- v. Revenue growth and customer loyalty
- vi. Financial stewardship
- vii. Human resource management
- viii. Brand equity and institutional strengthening

Amatsi Water Services Company develops its annual work plans based on the above eight pillars/themes/issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

8. Corporate Governance Statement

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long term value to stakeholders.

For effective governance, the board recognizes that even though it has delegated the daily running of the business to the management team, the board is ultimately and fully responsible for the way the company is managed. The board is therefore actively engaged in leading the company and is confident that there is an effective system of corporate governance in place.

The board of directors of Amatsi Water Services Company (hereinafter AWASCO) is responsible for the governance of the company and is accountable to the shareholders and stakeholders in ensuring that the company complies with the laws and highest standards of business ethics and corporate governance. Accordingly, the board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined. The board is comprised of eight (8) directors, four (4) of whom are non-executive directors including the Chairman. Alternate directors from the parent ministry (Water, environment and natural resource) and county treasury also sit in the board.

The board defines the company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic financial, operational and compliance issues. The directors bring a wealth of experience and knowledge in various fields of expertise.

Except for direction and guidance on general policy, the board delegates authority of its day to day business to management through the managing director. The board nonetheless is responsible for the stewardship of the company and assumes responsibilities for effective control over the company.

Board Meetings

The board holds meetings on a quarterly basis while special meetings are called when it is deemed necessary to do so in order to handle a back log or an argent matter that cannot otherwise await a normal board meeting.

Committees of the Board

The board has set up the following board committees which meet under well-defined terms of reference set by the board. This is intended to facilitate efficient decision making of the board in the discharge of its mandate and obligations.

(i) Audit and Risk Committee

The board audit committee by extension is mandated to ensure the fulfilment of corporate governance practices as outlined in the mwongozo code of governance for companies. The members of the committee are: -

- | | |
|------------------------|---------------|
| • Dr. Robert Kati | - Chairperson |
| • Mr. Wycliffe Obuhuma | - Member |
| • Mr. Tom Musungu | - Member |
| • Mr Meshack Mulongo | - Member |
| • Dr. Jairus Amayi | - Member |

(ii) Finance, Hr, Admin and Legal Committee

The committee assists the board in fulfilling its oversight responsibilities relating to the company's finance, procurement, investment strategies, monitor project implementation and related activities. The members of the committee are: -

- | | |
|------------------------|---------------|
| • Mr. Wycliffe Obuhuma | - Chairperson |
| • Dr. Robert Kati | - Member |
| • Mr. Tom Musungu | - Member |
| • Mr. Meshack Mulongo | - Member |
| • Dr. Jairus Amayi | - Member |

(iii) Technical Committee

The committee assists the board in fulfilling its oversight activities such as non-revenue water, water quality, monitor production, network expansion and maintenance and related activities. The members of the committee are: -

- | | |
|-----------------------|---------------|
| • Dr. Robert Kati | - Chairperson |
| • Mr. Tom Musungu | - Member |
| • Mr. Meshack Mulongo | - Member |
| • Dr. Jairus Amayi | - Member |

9. Management Discussion and Analysis

Net Profit /(loss) for 2023/2024

Description	2024	2023	Decrease (Kshs)
Net Profit (loss) Kshs	(2,858,800)	(10,867,009)	(7,114,267)

The Net loss in the FY 2023/2024 is Kshs (17,981,276) majorly attributed to increase in cost of chemicals, electricity.

Sales

Description	2023/2024 (Kshs)	2022/2023 (Kshs)	Growth (Kshs)
Sales	66,312,291	60,430,536	5,881,755

The sales realised in the Financial year 2023/2024 increased by Kshs due to vigorous metering of all active water consumers.

10. Environmental and sustainability reporting

Amatsi water Services Company exists to transform lives. This is our purpose, the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

An effective external monitoring system is necessary for directors and core management team in order to ensure that sustainable development policies, objectives and management systems are appropriate for the complex and rapidly changing world in which their business operates. AWASCO gathers information on key subjects including: -

- New and proposed legislation
- Industry practices and standards
- Competitors' strategies
- Community and special interest group policies and activities
- Trade union concerns
- Technical developments, such as new process technologies.

ii) Environmental performance

AWASCO developed an Environmental policy which contains laws and policies addressing water and air pollution, chemical and oil spills, smog drinking water quality, land conservation and management, wildlife protection.

iii) Employee welfare

Amatsi has a Human resource policy that guides in the hiring process and whether company takes into account the gender ratio, stakeholder's engagements and the company usually has annual salary increment to improve welfare of its employees. The company has an annual training plan to improve skills and managing careers of its employees. Annual appraisal is done and the company rewards employees who have shown great improvement. The company is currently drafting a policy on safety and compliance with Occupational safety and Health Act 2007, (OSHA)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The company recruits the right personnel, train to develop their skills and retain them through a competitive reward system to tame issues like anti-corruption. Staff are encouraged to be neutral politically, we ensure we provide fair competition and respect our competitors (i.e. water vendors water bowser) by selling and distributing water at fair prices,

b) Responsible Supply chain and supplier relations

The company maintains good business practices, treats its own suppliers responsibly by honouring contacts and respecting payment practices.

c) Responsible marketing and advertisement

AWASCO gives the market products that are of high quality and increased publicity that meet the standards set by various regulatory bodies. The company endeavours to reduce customer response time to complain.

Product stewardship

AWASCO endeavours to use water in a way that is socially equitable, environmentally sustainable and economically beneficial. This is achieved through a stakeholder inclusive process that involves site and catchment based action.

Corporate Social Responsibility / Community Engagements

Community engagement is one of the key pillars of corporate social responsibility (CSR), alongside the concern with the workplace, the marketplace and the environment.

AWASCO will involve itself in community involvement by: -

- Support a local charity with financial contributions
- Sponsor a local event
- Organize clean-up events
- Volunteer in local schools or community projects

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 provide equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations in Vihiga county.

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) Dividends

The company has not declared dividends for the year ended 30 June 2024 in order to strengthen the company's financial position and improve our growth prospects.

iv) Directors

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

Amatsi Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

v) Auditors

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

By Order of the Board


.....
Name **Tereshah - M. Shijenge**
Company Secretary/Secretary to the Board
Date:

12. Statement of Directors' Responsibilities

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).

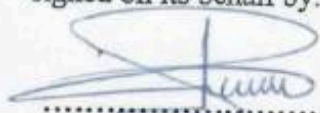
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Annual Report and Financial Statements for the year ended June 30, 2024
Statement of Directors' Responsibilities (Continued)

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 controls.

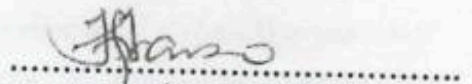
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 21st August 2024 and signed on its behalf by:



Name Josephine N. Njirakasi
Chairperson of the Board



Name Edwin Bukweye
Managing Director

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON AMATSI WATER SERVICES 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.

Qualified Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive

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

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

Basis for Qualified Opinion

1. Inaccuracies of the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies:

- i. The statement of cash flows reflects net cash from operating activities of Kshs.12,529,540. However, recast of the statement confirms negative outflow amount of Kshs.21,089,507, resulting to an unexplained variance of Kshs.33,619,047. The casting error has resulted to an inaccurate bank and cash balance of Kshs.2,495,078.
- ii. The statement of changes in equity reflects retained earnings balance of Kshs.31,550,761 as at 30 June 2024. However, recasting the accuracy of the statement revealed a balance of Kshs.6,985,877 resulting to an unexplained and unreconciled variance of Kshs.24,564,884. Further, the casting error has resulted to an inaccurate capital and reserves balance of Kshs.59,781,784 in the statement of financial position.
- iii. The statement of financial position reflects ordinary share capital balance of Kshs.129,400 which is at variance with the explanatory note balance of Kshs.29,400 resulting to an unexplained variance of Kshs.100,000.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2024 could not be confirmed.

2. Inconsistencies in Explanatory Notes

Review of the financial statements revealed inconsistencies between the numbering of notes under components in various financial statements and the disclosures under the notes to the financial statements as tabulated below:

Component	Note as Per Financial Statements	Explanatory Notes
Other gains/(losses)	10	9
Staff Costs	11	10
General and Operations expenses	12	11
Board Expenses	13	12
Maintenance Expenses	14	13
Depreciation and Amortization expenses	15	14
Property, plant and equipment	20	15
Intangible assets	21	16
Inventories	28	17
Trade and receivable	29	18
Bank and cash balances	32	19
Ordinary share capital	33	20
Capital development fund	35	-
Retained earnings	36	-
Provisions	40	24
Trade and other payables	42	25
Refundable deposits and Prepayments	43	26
Deferred income	44	-

Further, the statement of cash flows was prepared using indirect method. However, the statement has not been referenced with notes to the financial statements.

In the circumstances, the financial statements have not been presented in compliance with the requirements of the reporting template issued by Public Sector Accounting Standards Board (PSAB).

3. Variances in the Statement of Comparison of Budget and Actual Amounts

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.103,332,589. However, the statement of comparison of budget and actual amounts reflects total actual revenue of Kshs.98,442,797, resulting to a variance of Kshs.4,889,792. Similarly, the statement of profit or loss and other comprehensive income total expenses of Kshs.121,313,865 was at variance with the actual expenses reflected in the statement of comparison of budget and actual amounts of Kshs.101,301,597 resulting to a variance of Kshs.101,301,597.

In the circumstances, the accuracy of the financial statements could not be confirmed.

4. Unsupported Prior Year Adjustments

The statement of cash flows reflects a prior year adjustment of Kshs.3,751,839. However, the prior year adjustment does not have an elaborate note describing what the amount

relates to. Further, the adjustment was not supported by journals, requisite documents and records to justify amendments. This was contrary to Regulation Section 149(1) the Public Finance Management Act, 2012 states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and shall ensure that the entity keeps financial and accounting records that comply with this Act.

In the circumstances, the accuracy and completeness of prior year adjustments of Kshs.3,751,839 could not be confirmed.

5. Grants Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects grant income of Kshs.34,992,398 which comprise of Kshs.28,693,104 and Kshs.6,299,294 in respect of operational grants from government entities and recurrent grants from other agencies respectively. Review of the supporting documents provided revealed that the grants from the county government were electricity bill payments made on behalf of the company. However, the following anomalies were observed:

- i. Review of the electricity costs statement of account indicated bills worth Kshs.5,610,352 were not disclosed as grant income which resulted to understated income;
- ii. Management did not provide the memorandum of understanding between the County Government of Vihiga and Amatsi Water Company detailing the terms of offsetting the electricity costs; and
- iii. Further, the statement reflects grant income of Kshs.34,992,398 which is a variance with the Kenya Power customer statements amount of Kshs.36,835,220 resulting in an unexplained variance of Kshs.1,842,827.

In the circumstances, the accuracy and completeness of grant income of Kshs.34,992,398 could not be confirmed.

6. Unsupported Compensation of Employees Expenditure

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.44,285,059 as disclosed in Note 10 to the financial statements. The expenses include employees contribution to pension and gratuity provisions of Kshs.2,518,459. However, the schedules to support the balances were not provided for review.

In the circumstances, the accuracy and completeness of the staff costs of Kshs.44,285,059 incurred could not be confirmed.

7. Unreconciled Trade Receivables

The statement of financial position reflects an amount of Kshs.117,626,744 for trade receivables and as disclosed in note 18 to the financial statement. However, the recovered trade receivables of Kshs.6,531,221 as disclosed under Note 18b of

reconciliation of receivables was at variance with the decrease in trade receivables in the statement of cashflow of Kshs.323,323 resulting to a variance of Kshs.6,207,898. Further, trade receivables ageing analysis provided for audit reflected a total of Kshs.26,426,644 which was at variance with the disclosed balance of Kshs.6,531,221 under Note 18b hence understatement of Kshs.19,895,423.

In the circumstances, the accuracy and completeness of trade receivables of Kshs.117,626,744 could not be confirmed.

8. Receivables with Debit Balances

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other receivables balance of Kshs.117,626,744. Review of records provided by Management revealed that debtors in respect of 595 customers of Kshs.2,647,820 with debit balances in the ledger that should ideally be classified under payables or differed liability. It is not clear and Management has not explained why these debit balances are yet to be cleared and/or reconciled. The offsetting of these direct debit is contrary to IAS 32.42, which states that an entity shall not offset assets and liabilities or income and expenses.

In the circumstances, the accuracy and completeness of the trade receivables could not be confirmed.

9. Long Outstanding Trade Receivables

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other receivables balance of Kshs.117,626,744. Included in this balance is trade receivables balances totalling to Kshs.91,964,100 or 78% of the total trade receivables that was outstanding for more than three sixty-five (365) days. Management did not provide documentary evidence in form of correspondences with the customers indicating efforts made to recover the outstanding amounts from the debtors. This was contrary to Regulation 83 (1) and 2) (g) of the of the Public Finance Management (County Government) Regulations 2015 which states that for purposes of this regulation, sound cash management. includes-pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the county government are collected and banked promptly.

Further, the Company did not maintain an updated receivables' ledger that reflects opening balances, amount accrued during the year, payments received and balance carried forward.

In the circumstances, the accuracy and recoverability of trade receivables balance of Kshs.117,626,744 could not be confirmed.

10. Unsupported Bank Balances

The statement of financial position reflects bank and cash balance of Kshs.2,495,078 as disclosed in Note 19 to the financial statements. The amount relates to balances held in

seven (7) bank accounts operated by Company during the year under review. However, three (3) accounts balance of Kshs.1,029,846 held in respect of Water Bowser Cooperative Bank and 8th call UPC Jeptulu were not supported with bank certificates and bank reconciliation statements were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,495,078 could not be confirmed.

11. Unsupported Refundable Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.14,179,462. However, the comparative (opening) balance as disclosed in Note 26 to the financial statements reflects Kshs.13,895,388. It is not clear and Management has not explained the increase of Kshs.284,074 of customers' deposits. Further, the bank statement reflects an opening balance of Kshs.192,508 which is at variance with customer's deposits of Kshs.13,895, resulting to an unreconciled variance of Kshs.13,702,880. Similarly, the balance as at 30 June, 2024 of Kshs.14,179,462 is at variance with bank statement balance of Kshs.441,595, resulting to a variance of Kshs.13,737,867. Review of the deposits account bank statement revealed withdrawals of Kshs.710,000 in respect to salary payments and water fund. However, there was no authorization for the inter-account transfers contrary to Regulation 47(1)(e) of the Public Finance Management (County Government) Regulations, 2015 which states that allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes, except with treasury's approval. No evidence of refund of the withdrawals was provided for audit review.

In addition, review of the revised financial statements indicated that refundable deposits and prepayments of Kshs.14,179,462 were revised from Kshs.4,378,679 as earlier reported. This has resulted in an unreconciled variance of Kshs.9,800,783. However, the adjustments have not been supported by approved journal entries with sufficient explanation and verifiable supporting schedules.

In the circumstances, the accuracy, validity and completeness of refundable deposits and prepayments balance of Kshs.14,179,462 as at 30 June, 2024 could not be confirmed.

12. Long Outstanding Payables

The statement of financial position and Note 25 the financial statements reflects trade and other payables balance of Kshs.81,116,650. Review of documents provided for audit revealed that payables totalling Kshs.18,555,945 have remained outstanding for more than three years without settlement. The Management did not explain why the pending amounts were not treated as first charge during the 2023/2024 financial year. This was contrary to The National Treasury Circular No.10/2020 dated 16 June, 2020 on prioritization of pending bills.

In the circumstances, Management was in breach of The National Treasury circular.

12. Non-Revenue Water

Review of Technical report provided for audit revealed that the Company produced 1,977,435 cubic meters of water during the year, out of which 1,332,958.7 cubic meters was billed to its customers for Kshs.74,381,800. The balance of 644,476.3 cubic meters (33%) represents non-revenue Water (UFW) which is 8% percentage points above the allowable threshold of 25% set by the Water Service Regulatory Board (WASREB). Further, monthly billing reports generated from the billing system, Majisoft reflected actual water bill of 735,759 cubic meters (at Kshs.60,109,390) which is at variance with the Technical Report billing of 1,977,435 cubic meters resulting to an unexplained variance of 1,241,676 (63%) representing non-revenue water which is above the allowable level of 25% set by WASREB. It is not clear and management did not explain the huge variances between the system report and the technical committee report.

The significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its going concern.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Amatsi Water Services 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 amount on comparable basis of Kshs.162,261,581 and Kshs.98,442,797 respectively, resulting to under-collection of Kshs.63,818,784 or 39% of the budget. Similarly, the Company spent an amount of Kshs.101,301,597 against budgeted expenditure of Kshs.211,214,250 resulting in under performance of Kshs.111,060,479 or 55% of the budgeted expenditures.

Review of the budget revealed that general and operation expenses had a final budget of Kshs.14,670,000 against actual expenditure of Kshs.43,471,546 leading to an over expenditure of Kshs.28,801,546 which was not explained nor accounted for. This is non-compliance with the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter 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

1. Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution

Review of the payroll records for the month of June, 2024 revealed that the Company has a workforce of 72, out of whom 70 were members of the dominant community. This represents 97% of the total workforce contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires public establishment to seek to represent the diversity of the people of Kenya in employment of staff.

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

2.0. Prior Year Matters

2.1. Land Without Ownership Documents

As previously reported, audit inspection carried out on Jeptulu Water Project revealed that the water tank is situated in a private land which the Management does not have ownership documents. In addition, no explanations were provided as to why the land transfer process had not been initiated.

2.2. Lack of a Risk Management Policy

As previously reported, Management did not provide evidence of the existence of a Risk Management Policy to guide on management of risk assessment and formulation of risk mitigation strategies. This was contrary to the Regulation 158(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 that requires accounting officer to develop risk management strategies, which include fraud prevention mechanisms, and internal control that builds robust business operation.

In the circumstances, the effectiveness of risk management could not be confirmed.

Other Information

The Management is responsible for the other information set out on page iii to xx which comprise of the Key Entity Information, The Board of Directors, Key Management Team Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement

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 Company's 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.

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(s) of the matter(s) 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. Unauthorized Expenditure

Note 11 to the financial statements reflects general and operating expenses of Kshs.63,951,837 which includes consultancy expense and fuel, oil and lubricants of Kshs.670,800 and Kshs.1,489,674 respectively. However, the approved budget for the two items are Kshs.1,200,000 and Kshs.510,000 resulting to aggregated over expenditure of Kshs.450,474. This is contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that all procurement processes be within the approved budget of the procuring entity and be planned by the procuring entity concerned through an annual procurement plan.

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

2. Employees Acting Capacity Beyond Stipulated Period

Review of the human resource records provided revealed that Management paid Kshs.471,436 as acting allowances to two (2) members of staff who have been in acting positions for more than six (6) months. This was in contravention of paragraph C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary and that acting allowance will not be payable to an officer for more than six (6) months.

3. Non-Remittance of Gratuity

The statement of financial position and Note 25 to the financial statements reflects trade and other payables balance of Kshs.82,527,010 which includes staff payables Kshs.26,208,870 in respect to statutory deductions as shown below:

Description	Amount
Gratuity	2,698,45
NSSF	7,891,65
PAYE	1,820,88
Staff Pension Contribution	4,519,09
Staff Salary	9,278,72
Total	26,208,87

However, Management did not provide a plausible explanation as to why there were delayed deductions and remittances of statutory obligations which continue to attract penalties. The non-remittance was contrary to Section 19(4) of the Employment Act, 2002 which provides that, 'an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be'.

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

4. Unsupported Procurement of Motor Cycles

The statement of financial position and disclosure Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.22,445,386. The cost of the assets included additions of motor cycles of Kshs.1,036,107 procured during the year under review. However, copies of logbooks to confirm registration and ownership of the motor cycles were also not provided for audit. Further, review of the payment voucher and supporting documents revealed anomalies as follows;

- i. Management did not provide evidence to confirm that the Head of Supply Chain Management issued a Professional Opinion and that the same was approved by the accounting officer as required before the extension award on hotel and accommodation services.
- ii. No evidence was provided to confirm that the Management undertook market survey reports in accordance with Regulation 90(1) (c)(ii) of the Public Procurement and Asset Disposal Regulations, 2020 which states that an accounting officer shall not enter into a contract under Section 104 of the Act unless it is satisfied that the offer is at the prevailing real market price.
- iii. Similarly, there were no copies of logbooks as confirmation of registration and ownership of two Toyota double cabin registration no. KBM 125H and KBG 907C.

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

5. Cash Procurements Beyond Allowable Limit

The statement of profit or loss and other comprehensive income reflects general and operational and maintenance expenses of Kshs.63,951,837 and Kshs.9,269,502 respectively which, as disclosed in Note 7 and 13 to the financial statements includes expenses made through imprests amounting to Kshs.936,474. Further, the fuel, oil and lubricants of Kshs.1,489,674 was purchased using cash and exceeded the threshold for cash purchases or low value procurement set at a maximum of Kshs.50,000. This was contrary to Section 107(a) of the Public Procurement and Disposal Act, 2015 which states that a procuring entity may use a low-value procurement procedure if the entity is procuring low-value items which are not procured on a regular or frequent basis and are not covered in framework agreement; maximum level of expenditure under this method is Kshs.50,000 and Kshs.100,000 for goods and services respectively per financial year.

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

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Partial Integration of Revenue System

The statement of profit or loss and other comprehensive income reflect operating revenue of Kshs.66,312,291. Review of the internal controls in respect to revenue revealed that there was partial integration between the billing system and the payment system where only Mpesa transactions could be traced to the system. Bank payments were manually reconciled between the billing report and payments report for individual customers in order to determine their outstanding balances, which may be prone to errors. In addition,

the management failed to maintain individual customer ledgers to show the opening balances, amount invoiced, amount paid and the outstanding balances.

In the circumstances, Management cannot guarantee the integrity and reliability of the revenue automation system.

2. Failure To Maintain Water Meters Register

Review of the billing records indicated that out of the company's 11,532 customer base, 5,848 water meters were indicated as inactive as at the end of the year. However, Management did not maintain a physical stock register of the meters to show returned, store, re-issued or held in store of the meters after disconnection/termination contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015. The dormant account meters would have generated an estimated re-connection fee of Kshs.5,848,000 based on the re-connection charges of Kshs. 1,000 per meter which exposes company to revenue losses.

In the circumstances, Management has not instituted proper mechanisms to safeguard the Company's assets.

3. Lack of Updated and Complete Asset Register

The statement of financial position and Note 15 to the financial statements reflected property, plant and equipment balance of Kshs.22,445,386. However, review of the assets register revealed that the listing excludes computers and related equipment and fifteen (15) new mobile meter reading phones of Kshs.108,00 and Kshs.293,260 procured during the year. Further, the assets register provided indicated that not all fields were updated especially identification number of the asset, location of the asset, insurance certificate number of the insurable assets, cost of each item of asset, depreciation rate, accumulated depreciation, depreciation charge for the year and book value of the asset. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulation, 2015 which requires the Accounting Officer to be responsible for maintaining a register of assets under his or her control or possession.

In the circumstances, the internal controls on assets recording and reporting were not effective.

4. Lack of IT steering Committee

Review of the Company's information technology systems revealed that although the Company have an approved ICT Policy for governance, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the Management realize long-term ICT strategic goals. Lack of ICT steering committee which is contrary to Section 6.2 of the IT Governance Standard by the ICT Authority on ICT Governance direct that all Ministries, County, Departments and Agencies shall establish an IT Steering Committee to define the IT mission and goals aligned with the strategic direction of the organization, to authorize and direct the development of the services and

operation plans. Further, review of IT systems revealed that the billing system, Majisoft has a clause maintenance as per the contract. The contract indicates that the service support includes data hosting and backups, system support and maintenance, mobile app support and payment for API support. However, the Management did not provide a valid and signed contract agreement with the vendor contrary to Section 68 (2)(d) of the Public Finance Act of 2012 which requires that the accounting officer ensure that all contracts entered into by the entity are lawful and are complied with.

In the circumstances, the existence of effective measures to deal with risks and business continuity and disaster recovery could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages ii to xix is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages to has been properly prepared in accordance with the Companies Act, 2015.
- iv. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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.

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

Auditor-General's Responsibilities for the Audit

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 4 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


PCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

Kenya Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

A. Statement of profit or loss and other comprehensive income for the year ended 30 June 2024

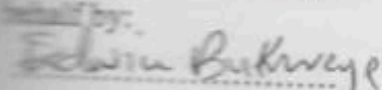
	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	66,312,291	60,430,536
Interest Income	7	34,992,398	34,902,320
Other Income	8	2,027,900	4,582,400
Finance Income	9		
Other gains/(losses)	10	-	(538,064)
Total Revenue		103,332,589	99,377,192
Expenses			
Staff Costs	11	44,285,059	35,274,862
General and Operations expenses	12	63,951,837	62,687,836
Board Expenses	13	2,635,715	4,388,873
Maintenance Expenses	14	9,269,502	6,688,010
Depreciation and Amortization expenses	15	1,171,752	1,204,620
Finance Costs	16	-	-
Total Expenses		121,313,865	110,244,201
Profit/(Loss) Before Taxation		(17,981,276)	(10,867,009)
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(17,981,276)	(10,867,009)

Samatei Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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	20	22,445,386	15,396,771
Intangible assets	21	2,413,358	2,681,509
Total non-current assets		24,858,744	18,078,280
Current assets			
Inventories	28	14,403,169	12,181,761
Trade and receivable	29	117,626,744	117,950,067
Bank and cash balances	32	2,495,078	1,669,594
Total non-current assets		134,524,991	131,801,422
Total Assets		159,383,735	149,879,702
Equity and liabilities			
Capital and reserves			
Ordinary share capital	33	129,400	129,400
Capital development fund	35	25,101,623	25,101,623
Reserve fund		3,000,000	-
Retained earnings	36	31,550,761	24,967,154
Capital and reserves		59,781,784	50,198,177
Current liabilities			
Provisions	40	2,895,479	1,744,317
Trade and other payables	42	82,527,010	83,486,989
Refundable deposits and Prepayments	43	14,179,462	13,895,388
Deferred income	44	-	554,831
Total current liabilities		99,601,951	99,681,525
Total equity and liabilities		159,383,735	149,879,702

The financial statements were approved by the Board on 21ST August, 2024 and signed on its

behalf by:


Name Edwin Bukweye
 Managing Director



Name Mutive Hwend
 Head of Finance



Name Josephine v. N. Njoroge
 Chairman of the Board

Amatsi Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Notes	Ordinary share capital	Reserve fund	Retained earnings	Capital/Development Fund	Total
As at July 1, 2022		129,400	-	32,671,421	25,101,623	57,902,444
Loss for the year		-	-	(10,867,009)	-	(10,867,009)
Prior year adjustment		-	-	3,162,742	-	3,162,742
As at June 30, 2023		129,400	-	24,967,154	25,101,623	50,198,177
As at July 1, 2023		129,400	-	24,967,154	25,101,623	50,198,177
Loss for the year		-	-	(17,981,276)	-	(17,981,276)
Capital/Development grants received during the year		-	3,000,000	-	-	-
At June 30, 2024		129,400	3,000,000	31,550,761	25,101,623	32,216,901

Prior year adjustment Ksh.15, 295 relate to reconciliation balance from creditors that was previously overstated in the books.

17. Statement of cash flows for the year ended 30 June 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Operating receipts			
Grants income		66,312,291	60,430,536
Other income		34,992,398	34,902,320
Other gains and losses		2,027,900	4,582,400
Total Receipts		-	(538,064)
		103,332,589	99,377,192
Payments			
Staff costs			
General and operation expenses		44,285,059	35,274,862
Board expenses		63,951,837	62,687,836
Maintenance expenses		2,635,715	4,388,873
		9,269,502	6,688,010
Total payments		120,142,113	109,039,581
Increase in inventories		(2,221,408)	6,662,265
Decrease in trade and other receivables		323,323	(10,761,285)
Increase in customer deposits		284,074	660,500
Increase in trade and other payables		(959,979)	16,515,103
Decrease in deferred income		(554,831)	(353,920)
Increase in provisions		(1,151,162)	278,447
		(4,279,983)	13,001,110
Net cash from/ (used in) operating activities	47	12,529,540	3,338,721
Cash Flows from Investing Activities			
Purchase of property, plant and equipment (PPE)		(1,789,232)	(59,950)
Work in progress additions		(6,162,985)	(7,284,682)
Net cash from/ (Used in) investing activities		(7,952,217)	(7,344,632)
Increase/(decrease) in cash and cash equivalents		4,577,324	(4,005,911)
Cash and cash equivalents at beginning of year	47	1,669,593	2,512,762
Prior year adjustment		(3,751,839)	3,162,742
Cash and cash equivalents at end of the year	47	2,495,078	1,669,593

Amatsi Water Services Company Limited
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18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a Kshs	b Kshs	c=a+b Kshs	d Kshs	e=c-d Kshs	f=d/c %
Revenue						
Operating Revenue	71,100,000	20,320,000	91,420,000	65,190,024	26,229,976	71%
Non-Operating Revenue						
Grants	36,000,000	-	36,000,000	31,224,873	4,775,127	87%
Finance Income	-	-	-	-	-	-
Other income	92,346,081	(57,504,500)	34,841,581	2,027,900	32,813,681	6%
Other gains	-	-	-	-	-	-
Total Revenue	199,446,081	(37,184,500)	162,261,581	98,442,797	63,818,784	61%
Expenses						
Staff costs	47,480,338	687,961	48,168,299	44,777,008	3,391,291	93%
Board expenses	5,836,853	(1,983,353)	3,853,500	2,635,715	1,217,785	68%
General and operations expenses	13,467,971	1,202,029	14,670,000	43,471,546	(28,801,546)	296%
Maintenance	109,753,000	34,769,451	144,522,451	9,269,502	135,252,949	6%
Depreciation and amortization	-	-	-	1,147,826	-	-
Total recurrent expenditure	176,538,162	34,676,088	211,214,250	101,301,597	111,060,479	48%
Capital expenditure	22,000,500	(9,378,919)	12,621,581	-	-	0%
Total expenditure	198,538,662	25,297,169	223,835,831	101,301,597	111,060,479	45%
Profit or Loss	907,419	(62,481,669)	(61,574,250)	(2,858,800)	(47,241,695)	5%

18. Notes to the Financial Statements

1. General Information

Amatsi Water Services Company Ltd is established by and derives its authority and accountability from xxx Act. The Company is wholly owned by the Vihiga County Government and is domiciled in Kenya. The Company's principal activity is xxx. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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 (include any other applicable legislation), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

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

- i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 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. Or the following has been assessed to be significant for the company and has been addressed as follows....)

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

	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).

Early adoption of standards

Amatsi water services company Ltd did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) **Revenue recognition**

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

(a) In-kind contributions

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

(c) Property, plant and equipment

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

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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
Buildings and civil works	25	2%
Plant and machinery	12.5	10%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	25%
Office equipment, furniture and fittings	12.5	12.5%
Intangible assets	12	10%

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.

g) Right of Use Asset

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

Notes to the financial statements (continued)

Summary of Accounting Policies

a) 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/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

b) 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.

c) 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.

d) 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 tax 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 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 or liabilities. 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.

e) 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.

f) 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.

g) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from January 1, 2022. 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.

h) 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.

i) Exchange rate differences

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

j) Budget information

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

k) Service concession arrangements

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

l) Comparative figures

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

m) 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 in Note 40.

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.

Notes to the financial statements (continues)

6. Operating Revenue

	2023/2024	2022/2023
	Kshs	Kshs
Water sales	61,070,817	55,463,305
Sewerage Services	5,241,474	4,967,231
Billing for other services*	-	-
Total	66,312,291	60,430,536

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

7. Grants Income

	2023/2024	2022/2023
	Kshs	Kshs
Operational grants from Government entities	28,693,104	28,249,106
Recurrent/operational grants from other agencies	6,299,294	6,299,294
Capital grants amortised	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	353,920
Total	34,992,398	34,902,320

8. Other Income

	2023/2024	2022/2023
	Kshs	Kshs
Insurance compensation	-	4,582,400
Meter rent	2,027,900	-
Total	2,027,900	4,582,400

9. Other Gains and Losses

	2023/2024	2022/2023
Description	Kshs	Kshs
Increase in provision for bad debts	-	(538,064)
Total	-	(538,064)

Notes to the financial statements (continued)

10. Staff Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross Salary and Allowances	36,574,919	29,813,044
Casual workers' Wages	3,914,480	2,372,637
Medical insurance schemes	-	36
Employer's contributions to social security schemes	1,277,201	1,021,044
Employer's contributions to pension scheme	1,249,939	948,437
Provisions for Leave pay	-	436,633
Gratuity provisions	1,268,520	683,031
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances	-	-
Total	44,285,059	35,274,862
The average number of employees during the year	80	80

11. General and operating expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Chemicals	5,333,077	4,875,328
Electricity	44,036,340	31,090,241
Fuel, oil, lubricants, and gases	1,489,674	801,000
Office supplies	908,824	1,681,208
Telecommunication	824,695	770,856
Rent and Rates	39,450	72,900
Domestic Traveling and subsistence	5,477,317	11,199,230
Staff training and development	1,068,550	109,000
Bank Charges	150,719	105,344
Security services	1,794,000	1,422,516
Audit fees	272,600	348,000
Consultancy fees	670,800	184,300
Licensing and levies	-	9,610,825
Stakeholders' expenses	1,090,000	-
Donations/CSR	-	110,425
Hospitality expenses	-	241,586
Enforcement	735,780	-
Office electricity	60,011	65,077
Total	63,951,837	62,687,836

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Notes to the financial statements (continued)

12. Board expenses

Description	2023/2024	2022/2023
	KShs	KShs
Chairman Honoraria	364,000	342,856
Sitting allowances	1,880,315	2,917,083
Travel and accommodation	391,400	1,128,934
Total Board Expenses	2,635,715	4,388,873

13. Maintenance expenses

	2023/2024	2022/2023
Description	Kshs	Kshs
Infrastructural networks	9,269,502	6,688,010
Total Maintenance Expenses	9,269,502	6,688,010

14. Depreciation and Amortization Expenses

	2023/2024	2022/2023
Description	KShs	KShs
Property, plant, and equipment	903,602	906,675
Intangible assets	268,151	297,945
Total Depreciation and Amortization	1,171,752	1,204,620

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Notes to the financial statements (continued)

15. Property, plant and equipment

15. Property, plant and equipment	Freehold land	Buildings & civil works	Water & sewer infrastructure	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost or valuation									
At July 1, 2022	-	-	-	10,001,823	-	-	233,477	-	10,235,300
Additions	-	-	-	-	-	-	59,950	7,284,682	7,344,632
At June 30, 2023	-	-	-	10,001,823	-	-	293,427	7,284,682	17,579,932
Depreciation	-	-	-	-	-	-	-	-	-
At July 1, 2022	-	-	-	1,175,007	-	-	101,478	-	1,276,485
Charge For the Year	-	-	-	882,682	-	-	23,994	-	906,676
At June 30, 2023	-	-	-	2,057,689	-	-	125,472	-	2,183,161
Net book value at June 30, 2023	-	-	-	7,944,134	-	-	167,955	7,284,682	15,396,771
Cost or valuation									
At July 1, 2023	-	-	-	10,001,823	-	-	293,427	7,284,682	17,579,932
Additions	-	-	-	-	1,036,107	347,265	405,860	6,162,985	7,952,217
At June 30, 2024	-	-	-	9,092,671	1,036,107	347,265	699,287	13,447,667	25,532,149
Depreciation	-	-	-	-	-	-	-	-	-
At July 1, 2023	-	-	-	2,057,689	-	-	125,472	-	2,183,161
Charge For the Year	-	-	-	703,498	129,513	34,727	35,863	-	903,602
At June 30, 2024	-	-	-	2,761,187	129,513	34,727	161,335	-	3,086,763
Net book value at June 30, 2024	-	-	-	6,331,484	906,594	312,539	537,952	13,447,667	22,445,386

Freehold land, buildings and sewer works is owned by Vihiga County Government. No lease arrangement exist for use of the land and buildings by the Company.

Notes to the financial statements (continued)

15 (b) Property, plant and equipment at cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant and machinery	9,092,671	2,761,187	6,331,484
Motor vehicles, including motorcycles	1,036,107	129,513	906,594
Computers and related equipment	347,265	34,727	312,539
Office equipment, furniture, and fittings	699,287	161,335	537,952
	11,175,330	3,086,763	8,088,567

16. Intangible assets

	2023/2024	2022/2023
	Kshs	Kshs
Cost		
At July 1	3,405,090	3,405,090
Additions	-	-
Disposals	-	-
At June 30	3,405,090	3,405,090
Amortization		
At July 1	723,581	425,636
Charge for the year	268,151	297,945
Disposals	-	-
Impairment loss	-	-
At June 30	991,732	723,581
Net book value		
At June 30	2,413,358	2,681,509

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Notes to the financial statements (continued)

17. Inventories

	2023/2024	2022/2023
	Kshs	Kshs
Chemicals & Laboratory items	93,600	-
Water fittings and Accessories	2,725,334	6,379,150
Water meters	10,339,659	5,801,150
Water	1,244,576	-
Total	14,403,169	12,181,300

18. Trade and other receivables

	2023/2024	2022/2023
	KShs	KShs
Trade receivables	117,626,744	124,157,900
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	-	-
Provision for bad and doubtful receivable	-	(6,207,895)
Net trade and other receivables	117,626,744	117,950,005

18. (a) Trade receivables

	2023/2024	2022/2023
	Kshs	Kshs
Gross trade receivables	117,626,744	124,157,900
Provision for doubtful receivables	0	(6,207,895)
Net trade receivables	117,626,744	117,950,005

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

	2023/2024	2022/2023
Less than 30 days	3,467,684	4,466,400
Between 30 and 60 days	2,216,551	3,649,900
Between 61 and 90 days	2,390,481	1,787,200
Between 91 and 120 days	2,176,581	2,226,600
Over 120 days	107,375,447	112,027,700
Total	117,626,744	124,157,900

Notes to the financial statements (continued)

18. (b) Reconciliation of impairment allowance for trade receivables

Description	2024/2023	2023/2022
	KShs	KShs
At the beginning of the year	124,157,965	107,188,783
Additional provisions during the year		16,969,182
Recovered during the year	(6,531,221)	-
Written off during the year		-
At the end of the year	117,626,744	124,157,965

19. Bank and cash balances

	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	2,495,078	1,669,594
Cash in hand	-	-
	2,495,078	1,669,594

19. (b) Detailed analysis of the cash and cash equivalents

Financial institution	Account	2023/2024	2022/2023
		KShs	KShs
a) Current account			
Revenue account	KCB 1110554516	876,886	98,788
Customer deposits account	KCB 1170433855	441,595	192,508
Water bowser	KCB 1170433928	2,750	2,876
M-pesa deposits (PAYBILL)	803783	146,751	-
Equity bank	0960279357402	-	554,831
Cooperative bank	01141246255400	22,895	-
8th call UPC Jeptulu project account	KCB 1302816268	1,004,201	820,591
Grand total		2,495,078	1,669,594

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Notes to the financial statements (continued)

20. Ordinary Share Capital

	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
County Government of Vihiga		
Department of environment water and natural resource (Vihiga County)	4,997	4,997
Department of finance and economic planning (Vihiga County)	1	
Office of the County Secretary (Vihiga County)	1	
Total	5,000	5,000

Share premium

	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
County Government of Vihiga		
Department of environment water and natural resource (Vihiga County)	29,397	29,397
Department of finance and economic planning (Vihiga County)	1	
Office of the County Secretary (Vihiga County)	1	
Total	29,400	29,400

Notes to the financial statements (continued)

21. Revaluation Reserve

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

22. Fair Value Adjustment Reserve

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

23. Retained Earnings

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

24. Provisions

	2023/2024	2022/2023
	Kshs	Kshs
Balance at the beginning of the year	1,744,317	1,061,286
Provisions for leave during the year	550,072	-
Provision for gratuity during the year	601,090	683,031
Total	2,895,479	1,744,317

Provision for leave is calculated at thirty percent of basic pay for permanent staff.
Provision for gratuity is calculated at thirty one percent of basic pay of staff employed on contract: Managing Director, Head of Technical Services and Head of Corporate Services.
Employees' entitlement to annual leave are recognized as they accrue.

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Notes to the financial statements (continued)

25. Trade and Other Payables

	2023/2024	2022/2023
	Kshs	Kshs
Trade payables	55,917,164	83,486,989
Accrued expenses		
Employee payables	26,609,846	
Other payables	-	
Total	82,527,010	83,486,989

26. Refundable deposits and drepayments

	2023/2024	2022/2023
	Kshs	Kshs
Customer deposits	13,895,388	13,234,888
Additions during the year	1,170,545	-
Transfers	-	-
Others (Specify)	886,471	660,500
Total	14,179,462	13,895,388

The company had invested Ksh.4.3million under highly interest earning project to refund once the project starts generating income.

Notes to the financial statements (continued)

Other Disclosures

27. Related Party Disclosures

County Government of Vihiga

The County Government of Vihiga is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Vihiga 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 vihiga
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Business community

Transactions with related parties

	2023/2024	2022/2023
	Kshs	Kshs
a) Grants from the Government		
Grants from County Government	31,224,873	34,548,400
Donations in kind	-	-
Total	31,224,873	34,548,400
b) Key management compensation		
Directors' emoluments	2,635,715	4,388,873
Compensation to Managing Director	-	348,700
Compensation to key Management (TM&CM)	-	3,099,910
Total	2,635,715	42,385,883

28. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

29. 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:

Notes to the financial statements (continued)

(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.

Credit Risk (Continued)

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

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

Notes to the financial statements (continued)

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.

(iii) **Market risk (*Tailor as appropriate*)**

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.

Foreign currency risk

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

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

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:

30. Incorporation

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

31. Events After the Reporting Period

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

Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the financial statements	We have since carried out physical asset count verification exercise and updated the asset register with the actual costs and book values. All other balance sheet items are adequately reconciled and supported.	Resolved	
2	Misstatement in operating income	Customer bill listing has since been reconciled and in agreement with the financial statements.	Resolved	
3	Long outstanding receivables	We have come up with strategies including enhanced enforcement to ensure that all customers with outstanding debts have a part payment agreement with the company and also all customers with debts are disconnected.	Resolved	
4	Unsupported customer deposit	Customer deposits have since been reconciled and reflects true and verifiable position as per book balances.	Resolved	
5	Unsupported prior year adjustment	All workings and adjustments have been supported.	Resolved	30/6/2024
6	Unsupported cash and bank balances	Cash book now reconciled with the bank statements.	Resolved	30/6/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Variance between financial statements and supporting schedules	Supporting schedules attached.	Resolved	30/6/2024
8	Budgetary control performance	We have improved on our budget compliance.	Resolved	30/6/2024

Name *Edwin Buthaye*Signature *[Signature]*

Managing Director

Date *25th August 2024*

Appendix II: Projects Implemented by the Company Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
UPC 8 th call Jeptul project	1	Water Sector trust Fund WSTF	24months		Yes	Yes

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	UPC 8 th Call Jeptulu	16,081,389.98	13,447,667	95			Water Sector trust Fund WSTF

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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date.....

NOTE

In the period under review ,there were no inter entity transfers

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Appendix IV: Reporting of Climate Relevant Expenditures

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

NOTE
There was no expenditure on Climate relevant for the period under review.

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Appendix V: Reporting Disaster Management Expenditure

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

(Attach forms from each transferring Government entity.)

NOTE

There was no expenditure on disaster management for the period under review

Appendix VI: Recording of Transfers from Other Government Entities

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

NOTE

There were no transfers from other Government entities