

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

PARLIAMENT  
OF KENYA  
LIBRARY

**MANDERA WATER AND SEWERAGE  
COMPANY LIMITED**

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





OFFICE OF THE AUDITOR GENERAL  
NORTH EASTERN REGIONAL OFFICE  
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**MANDERA WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2023**

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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**

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WRA</i>	<i>Water Resources Authority</i>

## II. KEY ENTITY INFORMATION AND MANAGEMENT

### Background information

Mandera Water and Sewerage Company limited (Mandwasco) was established by the companies Act of Parliament on 11th day of April two thousand and seven(2007). Mandwasco is represented by the Board of Directors and the Chief Executive Officer who are responsible for the general policy and strategic direction of the entity. Madwasco is domiciled in Kenya and is based in Mandera Municipality.

### Principal Activities

To provide water and Sewerage service for commercial, industrial and domestic purposes within the jurisdiction of Mandera Municipality and its environs.

To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Mandera Municipality and its environs.

### Our vision

To be the best water and sewerage services Company in Kenya

### Our Mission

To provide adequate, quality and sustainable water and sewerage services through best innovative practices .

### Directors

The Directors who served the entity during the Year 2022/2023 were as Follows

S/NO	Names	Designation	Date Of Appointment
1	Mr. Bare Ali Adan	Chairman	August 1, 2018
2	Mrs Amina Osman Muslim	Vice chair	August 1, 2018
3	Mr Mohamed Ali Shurie	Member	August 1, 2018
4	Mrs. Saadia Mohamed Kullow	Member	August 1, 2018
5	Mr. Abdikadir M. Tache	Member	August 1, 2020
6	Mr. Adan Abdirahman Mohamed	Member	August 1, 2020
7	Mr. Kassim H. Abdinoor	Secretary	June 12, 2023

### Company Headquarters

MANDWASCO House ,New County Head Quarter  
P.O. Box 341 -70300,  
Mandera,  
Kenya.

### Entity Contacts

Telephone :( 254) 0207859573  
E-mail:info@manderawater.co.ke  
Website: www.manderawater.co.ke

### Corporate Bankers

Equity Bank Limited  
Mandera Branch  
PO.Box 75104  
Mandera

### Independent Auditors


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


### Principal Legal Advisers

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

### III. THE BOARD OF DIRECTORS

	<p><b>Mr. Bare Ali Adan</b> Chairman <b>Appointed :August 2018</b> <b>Qualification:</b> Bachelors in Education- Secondary Option (Busoga University, Uganda, 2009) <b>Occupation:</b> Educationist <b>Year of Experience:</b> over 20 Years</p>
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	<p><b>Mrs Amina Osman Muslim</b> Vice chair <b>Appointed :August 2018</b> <b>Qualification:</b> Bachelor in Special Need Education(2017) Diploma in Special Needs Education(1992) <b>Occupation:</b> Teacher <b>Years of Experience:</b> Over 20 years</p>
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	<p><b>Mr Mohamed Ali Shurie</b> Member <b>Appointed :August 2018</b> <b>Qualification:</b> Post Graduate Diploma in Health Promotion (Europe)-University of Brighton 2004. Diploma in Public Health Education-KMTC-Nairobi (1987) Registered Nurse, Diploma-KMTC-Nairobi (1979) <b>Occupation:</b> Public Health worker <b>Years of Experience:</b> 20 years</p>
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	<p><b>Mrs. Saadia Mohamed Kullow</b> Member <b>Appointed :August 2018</b> <b>Qualification:</b> Degree in Office Administration (Mount Kenya University 2018) <b>Occupation:</b> Civil Servant <b>Years of Experience:</b> 10 years</p>
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	<p><b>MR. ABDIKADIR TACHE</b> Designation: The Chief Executive Officer <b>Appointed :August 2018</b> <b>Qualification:</b> Global Executive Masters Business Administration (GeMBA)-USIU- Africa 2016, BSC International Business Administration (IBA)-Accounting USIU-Africa (2008), Member of ACCA-UK and Institute of Economic Affairs, Kenya. <b>Occupation:</b> Accountant/Risk Analyst <b>Years of Experience:</b> 20 years</p>
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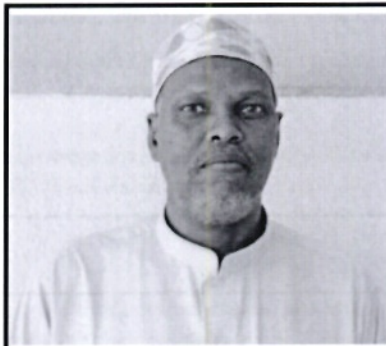
	<p><b>Eng. Ahmed Abdullahi Adan</b> Member <b>Appointed :August 2022</b> <b>Qualification:</b> Barchellor's Degree in Civil Engineering, Barchellor's Degree in Environmental Management. <b>Occupation:</b> Chief Officer water Services <b>Years of Experience:</b> 20 years</p>
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#### IV. MANAGEMENT TEAM

	<p><b>MR. KASSIM HAJI ABDINOOR</b> Designation: The Chief Executive Officer Appointed :June 2023</p> <p><b>Qualification:</b> Masters:In Research and Public Policy Bachelors of Science in Community Health Science, Higher National Diploma in Health Promotion <b>Occupation: Public Health Expert</b> <b>Years of Experience: 24 years</b></p>
	<p><b>Miss. Najma Ibrahim Suraw</b> Designation: Deputy Chief Executive Officer <b>Responsibility:</b> Deputising the Chief Executive Officer in all roles and responsibilities</p> <p><b>Qualification:</b> Masters: Business Administration - Finance JKUAT Bachelors: Business Administration - Finance EGERTON Certified Public Accountant</p>
	<p><b>Mr. Abdihakim Ibrahim</b> Designation: Human Resource/ Admin Manager</p> <p><b>Responsibility:</b> Manages human resources operations by recruiting, selecting, orienting, training, coaching, counseling, and disciplining staff; planning, monitoring, appraising, and reviewing staff job contributions; maintaining compensation; determining production, productivity, quality, and customer- service strategies; designing systems; accumulating resources; resolving problems; implementing change.</p> <p><b>Qualification:</b> Bachelor in Human Resource Management (Moi University, ) Member of : Institute of Human Resource Management</p>



**IV. MANAGEMENT TEAM (Continued)**



**MR. Derrow Hillow**

Designation: Ag. Acting Technical Manager

**Responsibility:**

To provide high quality water to domestic, commercial and industrial customers.

To prepare comprehensive departmental reports, including engineering budgets, technical audit reports etc.

**Qualification:**

Bachelor, Business Administration, Kampala University  
Diploma in Electrical Engineering, Mombasa Polytechnic.  
Certificate in Water Technology Construction, Kenya Water institute- 1983



**CPA. Ahmed Mohamed Hussein**

Designation: Ag. Finance Manager

**Responsibility:**

Providing financial reports and interpreting financial information to managerial staff while recommending further courses of action. Advising on accountability activities and provide strategies that the company should take.

**Qualification:**

Bachelor of Commerce (KCA University )  
Certified Public Accountant of Kenya (CPA K).  
Master in Finance (Kenyatta University)- Ongoing



**Mr. Osman Issack**

Designation: Head of ICT

**Responsibility:**

To oversee all IT (Information Technology) functions in our company. He is in charge of the management of the company's technology operations and the implementation of new IT systems and policies.

**Qualification:**

Bachelor of Computer Science (Umma University, ), Certificate in Leadership and Integrity (Umma University, ).



**Mr. Tariq Suleiman Mohamud**

Designation: Head of Legal

**Responsibility:** providing legal counsel to the board of directors, chairman of the board, chief executive officer and other senior management. Ensures compliance to all relevant rules and regulations affecting the company.

**Qualification:** LLB Mount Kenya University,  
Post Graduate Diploma KSL

## **V. CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors, the Management and Employees, I present the Annual Financial Reports for the Year ended 30<sup>th</sup> June 2023.

The Board of Directors was responsible to oversee the overall management of MANDWASCO and during under review the board continued with the implementation of the adopted five(5) strategic plan (Year 2019-2023).

The Company's outlook is promising however the economic challenges left by the prolonged drought and the hard economic situation which slowed businesses has affected the performance of the company during the financial year.

Our Service provision has improved during the financial year building on the successes achieved during the past financial year year, We have continued on our mission to rehabilitate the old and dilapidated water supply system by undertaking numerous rehabilitations and replacements of aged water pipelines and pumping units.

The Company improvement has seen us continue attracting investments from Donors including European union, Danish Government and the World Bank through the Water Fund.

The challenges of water quantity supplied and Sewerage Services will be resolved through the Water and Sewerage infrastructure project financed by African Development Bank which is 75% complete.

We are building on the gains made in this financial year with the committed Board, Management and staff. We expect to grow the customer base, revenue and use technology to improve our services.

Finally, I would like to express my appreciation to the Board, CECM Water, Energy, environment & Natural resources, Chief Officer water services, The Management, staff, our customers, suppliers, donors and all other stakeholders for the support to the company.



.....  
**Chairman**

Date: 20-09-2023

## **VI. REPORT OF THE CHIEF EXECUTIVE OFFICER**

MANDWASCO has generally continued to improve water production and supply to the residents of Mandera. Total Number of wet connections has increased by 254(Two Hundred and fifty four) in the period between June 2022 and June 2023, representing a 12% increase in wet connections during the financial year. Total volume of water produced also increased during the Year.

Total Sales revenue was **Ksh 10,391,925** for financial year ended **30th June 2023**.The company has also received support from the county government of Mandera giving the company a grant amounting to **Ksh 197,157,700 (One hundred ninety seven million one hundred fifty seven thousand and seven hundred shillings)** during financial year.

The slow growth in the sales revenue was largely attributed to the prolonged drought in the area which led to the worsened economic situation of our customers. Our receivables have increased by **8,096,150 (Eight Million ninety six thousand one hundred and fifty shillings)**. Which is a huge amount of money we couldn't collect because of the prevailing economic situation and draught.

The water production also increased substantively through the purchase of a high capacity water pumping sets, servicing and repairing of the old water pumping sets.

The company had taken steps in improving the condition of the environment in which the company facilities are by planting more trees and cleaning. The company had undertaken bushclearing on the roads where our water distribution pipelines pass to improve the environmental condition in the town and as a social corporate responsibility.



.....  
**Chief executive officer**  
Date:20-09-2023

**VII. Statement Of Performance Against Predetermined Objectives for FY 2022/2023**

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.

*Mandera Water and Sewerage Company Limited(MANDWASCO) has 8 strategic objectives within the current Strategic Plan for the FY 2019- FY 2023. These strategic pillars/ themes/ issues are as follows:*

<b>Strategic</b>	<b>Objective</b>
Strategic Objective No.1	· To improve water services coverage from 10% to55% by 2023 and sewerage services coverage from 0% to9.5 % by 2023.
Strategic Objective No.2	· To be a commercially viable water and sewerage services company
Strategic Objective No.3	· To achieve sound operations and maintenance practices
Strategic Objective No.4	· To achieve progressive improvement of water and sewer network to new customers to reach 12,300 water customers and 2,120 sewer connections by 2023
Strategic Objective No.5	· To undertake planning, design and development of water and sewerage infrastructure
Strategic Objective No.6	· To strengthen internal processes and human resource capacity to enhance equity and efficiency in the company
Strategic Objective No.7	· To promote good corporate governance by the company
Strategic Objective No.8	· To enhance collaborations and synergies with other stakeholders and actors in the sector and industry

*Mandera Water and Sewerage Company Limited(MANDWASCO) develops its annual work plans based on the above 8 strategic objectives. Assessment of the Board’s performance against its annual work plan is done on annual basis. Mandera Water and Sewerage Company Limited(MANDWASCO) achieved its performance targets set for the FY 2022/23 period for its eight (8) strategic pillars, as indicated in the diagram below:*

## VIII. CORPORATE GOVERNANCE STATEMENT

MANDWASCO is committed to operating under clear governance frame work and adheres to sound management practices.

We are committed to ensuring compliance with all the provision of the water Act 2016, Licence conditions granted by WASREB and the Companies Act CAP 486.

### **Board Committee**

In order to enhance corporate governance, the MANDWASCO Board of Directors has constituted the following committees;

#### **(i) Audit Committee:**

The committee addresses audit reports from internal and external auditors and also evaluates the financial reporting standards adopted by the company. The committee also ensures compliance with financial regulations and soundness of internal control systems.

The members of the committee are;

- a) Mr. Mohamed Ali Shuria
- b) Ms. Saadia Mohamed Kullow
- c) Mr. Adan Abdirahman

#### **(ii) Finance & Strategy committee:**

The Committee is responsible for all human resources, technical issues and effective utilization of resources. It also recommends capital investment for approval to the board and ensures they meet technical standards and are well maintained. They also deal with policy matters of the board.

The members of the committee are;

- a) Mrs. Amina Osman Muslim
- b) Mr. Mohamed Ali Shuria
- c) Mr. Alinur Mohamed

#### **(ii) HR/ Administration and Technical committee:**

The Committee is responsible for all human resources and technical issues. It also recommends capital investment for approval to the board and ensures they meet technical standards and are well maintained. They also deal with policy matters of the board.

The members of the committee are;

- a) Mr. Bare Ali Adan
- b) Mrs. Saadia M. Kullow
- c) Mr. Adan Abdirahman

The succession plan for the directors is in accordance with Article 31 and 32 of the Memorandum & Articles of Association, which require that in every Annual General Meeting, one third of the directors must retire and are eligible for election subject to a maximum of two terms. The Article restricting the terms however, came into effect in January 2014. The directors, upon election, do sign a code of ethics and are taken for induction and corporate governance training. Further, all directors are required to sign a "declaration of interest" book during each meeting to ensure that there is no conflict of interest with the companys matters.



.....  
**Chief executive officer**

Date: 20-09-2023

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

### **Sustainability strategy and profile -**

Mandera Water & Sewerage Company Ltd has invested heavily in an effort to ensure sustainability of the company. Following a lot of investment on distribution lines, we are working on last mile connectivity through the ongoing Water infrastructure project financed by African Development Bank, which will increase the number of customers and hence the revenue base. The on-going Water and Sewerage Project will open up most parts of our area of jurisdiction with increased flow and more customers. Following the completion of this project, we expect increased service coverage in the area. Other strategies include adoption of new technologies in improving services, e.g. ERP System with customer Service Modules.

### **Environmental performance**

Mandera Water & Sewerage Company envisions sustainability of the environment as key to its success. Our emphasis is in protection & sustenance of our catchment areas that are our source of water. We achieve this through tree planting events, which we do in close partnership with educational and other institutes. The company is in the process of drafting a comprehensive environmental policy.

### **Employee welfare**

Regarding employee welfare, the company has clear policies guiding the hiring and separation processes as outlined in our Human Resource & Administration Regulations. All recruitments are on a competitive basis. Those of senior management must be advertised in at least one daily newspaper. Our current gender ratio is about 15% female to 85% male. We however, have a policy of encouraging women to apply for new vacancies as we work towards the one third rule.

The company has an annual appraisal system. A reward and recognition policy was formulated this year and has been implemented. The best performers in various categories receive rewards at the end of the calendar year.

Training and skills improvement is part of our human resource policy. The company liaises with such associations like Water Service Providers Association (WASPA), KEWI and others in conducting training of its staff. In addition, periodic training needs assessments are carried out.

The company complies with the provisions of the Occupational Safety and Health Act 2007 as captured in our Human Resource & Administration Manual. We are however, in the process of drafting the policy as a stand alone policy.

### **Market place practices-**

The organisation outline its efforts to:

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

In our service provision, our main competitors are mainly community self-help and irrigation water projects. Our competitive advantage over them is proper governance structures, which we rely on to ensure better services. We also capitalize on leveraging on emerging technologies in service provision. In this way, the competition is fair and we leave the choice to the customer. In most of the areas however, there are no competitors and we are guided by our commitment to improve the welfare of the community that we serve.

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(Continued)**

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

Regarding our supply chain, we ensure open tendering for all our suppliers, where due process is followed. We also comply with the Public Procurement and Disposal Act 2015 when it comes to issues of dealing with the suppliers payment.

### **c) Product stewardship**

Consumer rights are safeguarded by ensuring value for money. In this regard, we endeavour to offer safe and clean water to the best of our ability. The company also has a customer complains desk in each of its four stations ie Ministry of Water Office and Our Headquater Office. Customers also complain through SMS and we've recently installed an ERP with a customer relations module that will improve service delivery. We also have other customer friendly tools like part payment plans where customers can clear their dues in instalments.

### **Challenges**

- i. Aging infrastructure contributes to water loss and hence high NRW.
- ii. Pipe damage by road contractors contracted by the various government agencies. A lot of pipes have been damaged and no compensation has been forth coming despite our appeals.

#### **X. MANGEMENT DISCUSSION AND ANALYSIS**

The financial Year 2022-2023 went on well. The company had lined up several projects to implement during the financial Year. Most of the projects are complete while others are ongoing. The projects were meant to improve the service within our service area.

The Company has generally continued to improve water production and supply to the residents of Mandera through the projects implemented. Total Number of wet connections has increased by 254(fifty four) in the period between June 2022 and June 2023, representing a 12% increase in wet connections during the financial year. Total volume of water produced also increased during the Year.

The company had also taken steps in improving the condition of the environment in which the company facilities are by planting more trees and cleaning. The company had undertaken bushclearing on the roads where our water distribution pipelines pass to improve the environmental condition in the town and as a social corporate responsibility.

The year progressed well and we were able to remain a going concern being able to meet our core activities which helped us in mitigating the effects of Covid 19 pandemic. We were able to continuously supply treated water to all our consumers and also established free water points as per the GOK directives in almost all the bus station and the market places.

We experienced a slight drop in our collection efficiency meaning that we were billing but not doing much collections because we didn't want to enforce punitive measures on collection e.g. disconnections. We gave our customers some amnesty on payment so that we could navigate through the difficult situations

#### **CHALLENGES**

- Huge debts-The company continue to experience huge debts that remains unpaid years. Some of this debt are irrecoverable and therefore requires to be written off from the books. We have lined up several interventions to ensure that this process is finalised.
- Major interruption of our systems from the effects of the road constructions that touches most of our lines and especially the mainline around Township, Central Area and Corner B where the road is being constructed and the works have already commenced.
- Aging infrastructure leading to frequent pipe bursts causing high NRW .We plan to progressively replace the same.
- Erratic weather, coupled with floods, has led to constant wash away of pipes and causing pipe damages

#### **WAY FORWARD**

- We have started major sensitization campaigns across all the areas where we are doing major extension works through the assistance of the National government so as to open up all this areas. This coupled with the new water connection charges will be monitored so as to build on our customer base.
- One on one visitation of our customers to negotiate the terms to pay for the water. We have also established an adhoc team that is currently calling the customers with huge debts and trying to convince them to pay their dues or come up with a payment plan. This approach has assisted us to collect without necessarily doing mass disconnections as we also maintain the supply of water to our customers at this time when it is very much needed.
- Conduct debtors analysis and categorisation with a purpose to clean our books from the long outstanding unrecoverable debts



## XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Company's affairs.

### Principal activities

The principal activities of the company continue to be provision of water and sanitation services to Mandera municipality residents.

### Results

The results of the company for the year ended June 30, 2023 are set out on page I. Below is summary of the profit or loss made during the year.

	JUNE 30 2023
RESULTS	Shs
Profit before tax	(8,726,893)
Tax	-
Other Expenses	(8,686,658)
Profit for the year	<u>(17,413,551)</u>

### Dividends

The Directors do not recommend the payment of dividend for the year.

### Directors

The members of the Board of Directors who served during the year are shown on page ii and iii. As per the Company's Articles of Association the Board of Directors retire by rotation are eligible to offer themselves for re-election for another five (5) period.

### Auditors

The Auditor General is responsible for the statutory audit of our entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



The Chief Executive Officer  
Mandera  
Date: 20-09-2023

## **XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 164 of the Public Finance Management Act, 2012 and section 635 of the company's Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

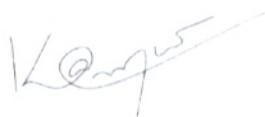
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate 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 accept responsibility for the entity's 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 and Water Act 2016. 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, 2021, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial

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 financial statements were approved by the Board on 20-09-2023 and signed on its behalf by:



Director



Director

# REPUBLIC OF KENYA



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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

*Enhancing Accountability*

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

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mander Water and Sewerage Company Limited set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in equity, statement of cash flows and statement of

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

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

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

### **Basis for Qualified Opinion**

#### **1. Uncertainty on Going Concern**

The statement of profit or loss and other comprehensive income reflects loss of Kshs.17,413,551 (2022: Kshs.20,009,010 and 2021: Kshs.20,430,878), decreasing the revenue reserves by Kshs.57,853,439 to negative Kshs.104,800,188 as at 30 June, 2023. This condition indicates existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as going concern. In addition, out of the total revenue of Kshs.185,089,731 for the year, the Company generated only Kshs.18,689,150 representing 10% of the total revenue. The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance was not disclosed in the financial statements.

In the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors and County Government of Mandera.

#### **2. Unsupported Equity Balance**

As was reported in the previous year, the statements financial position reflects members' equity balance of Kshs.61,982,062 consisting of ordinary share capital of Kshs.100,000 and Government investments of Kshs.61,882,062 as disclosed in Note 20 to the financial statements. Documents to support the two balances were not provided for audit review. In addition, the details of the Government investments of Kshs.61,882,062 were not provided given that the Company is wholly owned by the County Government of Mandera through shares.

In the circumstances, the accuracy of the members' equity balance of Kshs.61,982,062 could not be confirmed.

#### **3. Property Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.335,245,149 comprising of balances for various classes of fixed assets as disclosed

under Note 15 to the financial statements. However, Note 15 reflects negative values of Kshs.5,226,378 for computer and related equipment and Kshs.734,932 for furniture and fittings reducing the net book value of property plant and equipment by the same amount.

Further, seven (7) motor vehicles of undetermined value were not registered in the name of the Company.

In the circumstances, ownership status of the Company's motor vehicles and the accuracy of property, plant and equipment balance of Kshs.335,245,149 could not be confirmed.

#### **4. Unsupported Trade and other Receivables**

As was reported in the previous year, the statement of financial position reflects trade and other receivables balance of Kshs.55,422,844 and as disclosed in Note 18 to the financial statements. However, an updated debtors' ledger was not maintained to keep track of changes during the year and the closing balances. In addition, schedules to support the balance were not provided and aging analysis for the receivables was not included in the financial statements.

Further, Management did not demonstrate strategies put in place to recover the customer debts for water sales. Demand notes were not issued to customers with outstanding water bills.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.55,422,844 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mandera Water and Sewerage 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 budget documents provided reflected an annual income and expenditure budget of Kshs.462,981,233. However, the statement of comparison of budget and actual amount reflected a total budget of Kshs.421,664,170, resulting to a variance of Kshs.41,317,063. Further, the Company expended Kshs.271,074,433 against an actual budget of Kshs.462,981,233 resulting to an under-expenditure of Kshs.191,906,800 or 41.4% of the budget. In addition, the Management did not provide evidence for approval of the budget by the Board of Directors and the County Assembly. Budget under absorption may have

resulted to non-implementation of planned programmes negatively impacting on service delivery by the Company.

My opinion is however, not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit of the previous year, several issues were raised under report on Financial Statements and report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management did not resolve the issues as at 30 June, 2023.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Engagement of Casual Workers for a Prolonged Duration**

Included in the staff costs of Kshs.33,771,005 as disclosed under Note 8 to the financial statements is an expenditure of Kshs.15,697,781 relating to compensation of casual employees. Records provided for audit revealed that the Company engaged sixty (60) casual workers continuously for more than three (3) months, with some who had served continuously for four (4) years. This was contrary to Section 37(1)(a) and (b) of the Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly. The contracts of the casuals were renewed after every three (3) months.

Further, Management did not provide Board's approval for engagement of the casuals while master rolls for the casuals were not maintained to support the wages paid.

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

## **2. Late Remittance of Statutory Deductions**

Review of the Company's statutory deductions revealed that National Social Security Fund (NSSF) deductions amounting to Kshs.214,971 in respect to four months namely, July, 2022, August, 2022, November, 2022 and April, 2022 were not remitted within the statutory timelines. This was contrary to Section 27(1) of the National Social Security Fund Act, 2013 which states that, If any contributions for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which it falls, a sum equal to five per cent of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid.

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

## **3. Use of Unapproved Water Tariffs**

According to the records provided for audit, the Company billed its customers based on a flat rate of Kshs.1,000 per customer which was not approved by the Water Services Regulatory Board (WASREB). Management did not seek approval from the Water Services Regulatory Board (WASREB) for the tariffs. This was contrary to Section 72(1)(b) of the Water Act, 2016 which states that the powers and functions of the Regulatory Board shall be to evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards.

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

## **4. Operation Without Valid Service Provision Agreement, Memorandum and Articles of Association**

Review of the Company statutory compliance and registration documents and discussion with Management revealed that the Company and Northern Water Service Board (now Northern Water Works Development Agency) signed a five-year service provision agreement in 2008 which has since expired. The Company did not renew the service provision agreement and was providing water services without authorization.

Further, Management did not provide for audit review the Company's Memorandum and Articles of Association in line with the revised Water Act, 2016 and Water Regulations, 2016.

In the circumstances, legality of the Company's operations could not be confirmed.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of internal controls, Risk Management and Governance 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. Lack of Debt Management and Bad Debt Policies**

The statement of financial position and as disclosed in Note 12 to the financial statements reflects trade and other receivables balance of Kshs.55,221,769. It was, however, noted that the Company did not have a debt management policy and a policy on bad and doubtful debts. Further, aging analysis was not prepared to facilitate monitoring of receivables and cash flow forecasting.

In the circumstances, the recoverability of the full amount of receivables balance of Kshs.55,221,769 could not be confirmed.

#### **2. Weak Internal Controls on Inventory Management**

Note 17 to the financial statements reflects inventory balance of Kshs.57,307,727 as at 30 June, 2023 which includes balances in respect of water fittings, general stores, chemicals, water meters, fuel, stationery, uniform, and motor vehicle spare parts. However, the inventory did not include water stocks in the Company water reservoirs across the region and the value for the volume of water in the reservoirs was not disclosed in the financial statements.

Further, there was no evidence to confirm that the store items were issued on a first in, first out basis as required by Section 172(i) of the Public Procurement and Assets Disposal Regulations, 2020. In addition, Management did not provide a report on obsolete and unserviceable inventory including water meters as required by Section 172(c) of the Public Procurement and Assets Disposal Regulations, 2020.



In the circumstance, the effectiveness of internal controls on Inventory Management could not be confirmed.

### **3. Failure to Account for Non-Revenue Water (NRW)**

During the year under review, the Company's estimated annual water production was 543,620 cubic metres of water. It was however noted that only two production sources had master meters while the other four production sources were based on estimates of pump discharge and monthly pumping hours. Further, data on volume of water consumed could not be confirmed since all the customers were not metered.

In the circumstances, the existence of an adequate mechanism to safeguard public resources could not be ascertained.

### **4. Failure to Establish an Internal Audit Unit and Audit Committee**

The Company operated without an audit committee and an audit department as required by Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to establish an audit committee which shall support the accounting officers with regard to their responsibilities for issues of risk, control and governance and associated assurance and also to follow up on the implementation of the recommendations of internal and external auditors.

In the circumstance, it was not possible to confirm existence of effective internal controls, risk management and Governance structures in the Company.

### **5. Lack of Information Technology Internal Controls**

Review of the Company's Information Technology (IT) internal control and risk management processes revealed that the Company did not have an IT strategy committee and IT steering committee. In addition, policies in respect of physical access to IT environments were not place.

Further, the Company did not have disaster management and recovery policies in place including fire suppression systems. The Company did not have business continuity plan and IT continuity plan including an off-site back-up plan.

Lack of effective Information Technology internal controls may result to huge loses in case of occurrence of a disaster.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### **Responsibilities of the Management and the Board of Directors**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as the 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 applicable basis of accounting unless Management is aware of the intention to liquidate the Company or cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 January, 2024

Mandera Water And Sewerage Company Limited  
 Financial statements  
 For the Year Ended June 30 2023

**XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30 2023**

	Note	2022/2023 KSh	2021/2022 KSh
<b>REVENUES</b>			
Operating Revenue	6.	18,689,150	24,290,030
Grants Income	7.	166,400,581	113,732,350
<b>TOTAL REVENUES</b>		<b>185,089,731</b>	<b>138,022,380</b>
<b>OPERATING EXPENSES</b>			
Staff Costs	8	33,771,005	28,259,111
General and Operations Expenses	9	60,812,190	40,096,293
Board Expenses	10	2,874,164	2,215,408
Maintenance Expenses	11	72,333,700	62,006,193
Depreciation and Amortization Expenses	12	24,025,565	24,397,312
<b>TOTAL EXPENSES</b>		<b>193,816,624</b>	<b>156,974,317</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(8,726,893)</b>	<b>(18,951,937)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	21.	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(8,726,893)</b>	<b>(18,951,937)</b>
<b>OTHER EXPENSES</b>			
UPC Programme	14.	7,336,063	2,751
EU- Cpira Programme	14.	1,350,596	1,054,322
Total Other Expenses		<b>8,686,658</b>	<b>1,057,073</b>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>(17,413,551)</b>	<b>(20,009,010)</b>

Mandera Water And Sewerage Company Limited  
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 For the Year Ended June 30 2023

**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Note	2022/2023 KSh	2021/2022 KSh
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	15.	335,245,149	339,655,912
Intangible assets	16.	2,980,593	4,354,421
<b>Total Non-Current Assets</b>		<b>338,225,742</b>	<b>344,010,333</b>
<b>Current Assets</b>			
Inventories	17	57,307,727	1,274,188.25
Trade and other receivables	18.	55,422,844	47,125,619
Bank and cash balances	19.	36,086,270	2,206,972
<b>Total Current Assets</b>		<b>148,816,840</b>	<b>50,606,779</b>
<b>TOTAL ASSETS</b>		<b>487,042,582</b>	<b>394,617,112</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Members Equity	20.	61,982,062	61,982,062
Capital Grants	20.	414,664,131	360,299,125
Retained earnings	20.	(104,800,188)	(87,386,637)
<b>Capital and Reserves</b>		<b>371,846,005</b>	<b>334,894,550</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	21.	-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade and other payables	21	115,196,577	59,722,563
<b>Total Current Liabilities</b>		<b>115,196,577</b>	<b>59,722,563</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>487,042,582</b>	<b>394,617,112</b>

The financial statements on pages 1 to 20 were approved for issue by the board of directors on 20-09-2023 and were signed on its behalf by:



.....  
 Chief  
 Executive  
 Officer  
 Name: Abdikadir M. Tache



Ag. Head of Finance  
 Name: Ahmed Mohamed  
 ICPAK M/NO: 23913



Chairman of the Board  
 Name: Bare Ali Adan

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

	Ordinary share capital	Retained earnings	Capital Grants	Total
	KSh	KSh	KSh	KSh
<b>At July 1, 2021</b>	61,982,062	(67,377,627)	285,846,221	280,450,656
Total comprehensive income	-	(20,009,010)	74,452,904	(20,009,010)
Capital/Development grants received during the year	-	-	74,452,904	74,452,904
Transfer from Capital fund to Statement of comprehensive income	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2022</b>	61,982,062	(87,386,637)	360,299,125	334,894,550
<b>At July 1, 2022</b>	61,982,062	(87,386,637)	360,299,125	334,894,550
Total comprehensive income	-	(17,413,551)	54,365,006	36,951,455
Capital/Development grants received during the year	-	-	-	-
Transfer from Capital fund to Statement of comprehensive income	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
<b>At June 30, 2023</b>	61,982,062	(104,800,188)	414,664,131	371,846,005

Mandera Water And Sewerage Company Limited  
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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

2021-2022	2021-2022	Note	
Kshs	Kshs		
			<b>Cash Flows From Operating Activities</b>
			<b>Receipts</b>
		6	Operating Revenue 18,689,150
			Non-Operating Revenue -
			Other Income -
			Finance Income -
			Grants 171,578,814
		7	Customer Deposits 249,876,381
			Total Receipts 268,565,531
			<b>Payments</b>
			Staff Costs 33,771,005
		8	Board Expenses 2,874,164
		10	General And Operation Expenses 60,812,190
		9	Maintenance 35,945,500
			Finance Costs -
			Refund Of Customer Deposits -
			Total Payments 133,402,859
			Net Cash From/(Used In) Operating Activities 135,162,672
			<b>Cash Flows From Investing Activities</b>
			Purchase Of Property, Plant And Equipment (PPE) 15 (101,283,374)
			Proceeds From Disposal Of PPE -
			Purchase Of Intangible Assets 16 0
			Purchase Of Investment Property -
			Purchase Of Quoted Investments -
			Proceeds From Disposal Of Quoted Investments -
			Net Cash From/(Used In) Investing Activities (101,283,374)
			<b>Cash Flows From Financing Activities</b>
			Proceeds From Issues Of New Share Capital -
			Proceeds From Borrowings -
			Repayment Of Borrowings -
			Dividends Paid -
			Net Cash From/(Used In) Financing Activities -
			Increase/(Decrease) In Cash And Cash Equivalents 33,879,297.70
			Cash And Cash Equivalents At Beginning Of Year 2,206,971.80
			Effects Of Foreign Exchanges Rate Fluctuations -
			Cash And Cash Equivalents At End Of The Year 2,206,971.80



**XVI. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023**

	Original budget a	Adjustments b	Final budget c=a+b	Actual on comparable basis d	Performance difference e= c-d	% of utilization f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
<b>Revenue</b>						
Operating Revenue	31,200,000	0	31,200,000	18,689,150	12,510,850	60%
Non-Operating Revenue	0	0	0	0	0	
Grants	265,036,373	125,427,797	390,464,170	252,032,931	138,431,239	65%
Finance Income	0	0	0	0	0	
Other gains	0	0	0	0	0	
<b>Total Revenue</b>	<b>296,236,373</b>	<b>125,427,797</b>	<b>421,664,170</b>	<b>270,722,081</b>	<b>150,942,089</b>	<b>64%</b>
<b>Expenses</b>						
Staff Costs	34,000,000	0	34,000,000	33,771,005	228,995	1%
Board Expenses	2,000,000	0	2,000,000	2,874,164	(874,164)	144%
General and operations Expenses	49,557,313	12,876,600	62,433,913	60,812,190	1,621,723	97%
Maintenance	36,792,472	35,707,072	72,499,544	72,333,700	165,844	100%
Finance costs	0	0	0	0	0	
Total Recurrent Expenditure	122,349,785	48,583,672	170,933,457	169,791,059	1,142,398	99%
<b>Capital Expenditure</b>	<b>173,886,588</b>	<b>76,844,125</b>	<b>250,730,713</b>	<b>101,283,374</b>	<b>149,447,339</b>	<b>40%</b>
					0	
					0	
<b>Total Expenditure</b>	<b>296,236,373</b>	<b>125,427,797</b>	<b>421,664,170</b>	<b>271,074,433</b>	<b>150,589,737</b>	<b>64%</b>

## **XVII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Mandera Water and Sewerage Company was established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of the entity continue to be provision of water and sanitation services to Mandera residents.

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 Notes four and five.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations 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.

**XVII. 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 effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

*i. Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2021/2022

## **XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **1. Summary of Significant Accounting Policies**

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

#### **a) Revenue recognition**

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

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

#### **b) In-kind contributions**

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

#### **c) Property, plant and equipment**

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

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

Item	Years	Rates
Freehold Land	0	0%
Leasehold Land	0	0%
Buildings and civil works	25	4%
Infrastructure works	25	4%
Plant and machinery	12.5	8%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	33%
Office equipment, furniture and fittings	12.5	8%
Impairment of Inventory	6.5	15%

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

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

**e) Intangible assets**

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

## **XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **f) Amortisation and impairment of intangible assets**

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

### **g) Investment property**

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

### **h) Right of Use Asset**

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

### **i) Fixed interest investments (bonds)**

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

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**j) Quoted investments**

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

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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



**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**n) Taxation**

**i) Current income tax**

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

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

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

**o) Deferred tax**

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

## **XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **p) Borrowing costs**

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

### **q) Cash and cash equivalents**

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

### **r) Borrowings**

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

## XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### s) Trade and other payables

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

### t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. XXX per employee per month.

### u) Provision for staff leave pay

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

### v) Exchange rate differences

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

### w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of xxx on the 20xx-20xx budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

### x) Service concession arrangements

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

### y) Comparative figures

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

### z) Subsequent events

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

## **XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **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.

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

#### **a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 from 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 xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>6. Operating Revenue</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Ksh</b>	<b>Ksh</b>
sales of water	18,206,500	23,868,480
Sewerage Services	182,300	99,300.00
Billing for other services	300,350	322,250
Interest Income	-	-
<b>Total</b>	<b><u>18,689,150</u></b>	<b><u>24,290,030</u></b>
<b>7. Grants Income</b>		
Operational grants from Government entities		
Recurrent/operational grants from other agencies	142,792,694	89,631,705
Capital grants amortized	7,001,447	7,494,205
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	16,606,440	16,606,440
<b>Total</b>	<b><u>166,400,581</u></b>	<b><u>113,732,350</u></b>

**7(b) Analysis of grants**

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Total grant income FY 2021-22
	KShs	KShs	KShs	KShs	
Mandera County Government	142,792,694.00		54,365,006.00	197,157,700	161,000,000
Water Fund	7,001,447.35		45,717,233.40	52,718,681	10,578,814
<b>TOTAL</b>	<b>149,794,141.35</b>		<b>100,082,239.40</b>	<b>249,876,381</b>	<b>171,578,814</b>

<b>8 Staff Costs</b>	<b>2022/2023</b>	<b>2020/2021</b>
	<b>Ksh</b>	<b>Ksh</b>
Salaries Paid by County Government	16,606,440	16,606,440
Salaries to Casual Employees	15,697,781	10,989,971
Compulsory National Health Insurance Schemes	562,450	390,100
Compulsory National Social Security Schemes	904,334	272,600
	<b><u>33,771,005</u></b>	<b><u>28,259,111</u></b>

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>9 General and Operations Expenses</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Electricity Expenses	8,843,538	10,415,973
Communication services and supplies	43,800	253,802
Travelling and subsistence	8,786,814	8,469,147
Fuel, Oil and Lubes expense	4,824,200	6,216,600
Advertising, printing, stationery and photocopying	6,816,730	1,318,600
Rent expenses	230,000	230,000.00
Dues and Subscriptions	276,600	732,000
Staff training and development	1,248,440	1,281,054
Hospitality supplies and services	454,450	518,100
Insurance costs	33,000	30,000
Licencing and levies	-	0.00
Cleaning Services	3,744,000	3,744,000.00
Security Services	2,679,600	2,679,600.00
Hygiene and Fumigation	2,990,000	2,256,000
Chemicals	4,354,060	0
Bank charges and commissions	67,558	63,892
Office and general supplies and services	141,400	135,050
Audit fees	-	232,000.00
Repairs and maintenance	155,500.00	-
Other general expenses	15,122,500.00	-
Uniform and protective clothing	-	1,520,475.00
	<b>60,812,190</b>	<b>40,096,293</b>
<b>10 Board Expenses</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Chairman Honoraria	-	435,000.00
Sitting allowances	708,000	535,000
Medical Insurance	592,364	-
Induction and Training	788,800.00	246,000
Travel and accommodation	785,000	999,408.00
Other allowances	-	-
<b>Total Board Expenses</b>	<b>2,874,164</b>	<b>2,215,408</b>
<b>11 Maintenance Expenses</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Plant and Equipment	3,991,680	373,350
Buildings	4,978,218	35,000
Infrastructural networks	20,850,074	44,344,843
Grounds(sumpwells & infiltration galleries)	23,723,188	7,632,250
Water Storage	5,509,350	64,850
Electrical	1,146,190	179,350
Motor vehicles	4,519,780	4,761,550
Software	174,000	25,700
ICT	360,200	212,800
Furniture	33,400	29,000
Water Meter	-	-
Access roads	7,047,620	4,347,500
<b>Total Maintenance Expenses</b>	<b>72,333,700</b>	<b>62,006,193</b>

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>14. Other expenses</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries paid by County Govt	16,606,440	16,606,440
	<b>16,606,440</b>	<b>16,606,440</b>
<b>Border Point I</b>		
<b>Soft Components</b>		
Border Point I water supply	6,500,000	
ESIA consultancy Service	200,000	-
Project Supervision	231,430	-
School Hygiene Sensitization	40,000	-
Site Handover	320,000	
Task Team Meeting Allowances	14,000	
Admin costs	30,633	
	<b>7,336,063</b>	<b>-</b>
<b>Total Soft Components</b>		
	<b>7,336,063</b>	<b>-</b>
<b>EU- CIPRA PROGRAMME</b>		
Admin Expenses-CLTS	Bokolow CLTS	162,000
Bank Charges	Bokolow CLTS	1,788
ODF Certification	Bokolow CLTS	-
ODF Verification	Bokolow CLTS	-
Bank Charges	Bokolow Water Project	3,000
Project Monitoring & Supervision	Bokolow Water Project	300,250
Admin Expenses	Bokolow Water Project	203,509
Admin Expenses	ELWak PSF	6,500
Bank Charges	ELWak PSF	1,679
Project Monitoring & Supervision	ELWak PSF	414,600
Project Monitoring & Supervision	Takaba Psf	248,000
Admin Expenses	Warankara	2,165
Admin Expenses	Takaba Psf	2,045
Admin Expenses	Rhamu Dimtu Psf	2165
Admin Expenses	Banisa PSF	1445
Admin Expenses	Elwak Falama	1,450
<b>Total for EU-CIPRA</b>		<b>1,350,596</b>
		<b>1,054,322</b>

XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, Plant and Equipments											
	Freehold land	Buildings and Civil works	Water & Sewer Infrastructure	Plant and machinery	Computers and related Equipment	Furniture & fittings	Motor Vehicles/cycle s	Capital Projects in progress	Total	Shs	
Cost	At July 1, 2022	9,500,000	46,447,125	195,882,981	78,803,791	8,991,078	30,937,50	-	339,655,912	-	
Additions	At June 30, 2023	-	-	54,386,530	46,896,844	-	-	-	101,283,374	440,939,286	
Depreciation and Impairment	At July 1, 2022	-	27,464,412	17,033,437	29,218,056	5,226,378	3,341,983	758,136	83,042,401	22,651,737	
At June 30, 2023	-	29,322,297	27,044,217	39,274,106	5,226,378	4,061,269	765,870	-	105,694,137	-	
Net book values	At June 30, 2023	9,500,000	17,124,828	223,225,294	86,426,528	(5,226,378)	4,929,809	(734,932)	335,245,149	-	
At June 30, 2022	-	17,124,828	223,225,294	86,426,528	(5,226,378)	4,929,809	(734,932)	-	335,245,149	-	
Amortization	At July 1 2022	-	-	-	-	-	-	-	-	-	
Charge for the year	At June 30 2023	-	-	-	-	-	-	-	-	-	
At June 1 2022	-	-	-	-	-	-	-	-	-	-	
Net book value	At June 30 2023	9,500,000	17,124,828	195,882,981	78,803,791	8,991,078	30,938	-	339,655,912	-	
At June 30 2022	-	17,124,828	195,882,981	78,803,791	8,991,078	30,938	-	-	339,655,912	-	
12 Depreciation and Amortization Expenses	Description Property, plant, and equipment Intangible assets Total										
Cost	At July 1 2022	6,869,142	6,869,142	20%	2022-2023	20%	2021-2022	Kshs	20%	2020-2021	Kshs
Additions	At July 1 2022	3,869,142	3,869,142	3,000,000	3,869,142	3,000,000	3,869,142	4,354,421	4,354,421	24,397,312	
Amortization	At June 30 2023	6,869,142	6,869,142	2,514,721	2,514,721	1,140,892	1,140,892	1,373,828	1,373,828	23,023,484	
Charge for the year	At June 30 2023	-	-	-	-	-	-	-	-	-	
At June 30 2022	-	-	-	-	-	-	-	-	-	-	
Net book value	At June 30 2023	2,980,593	2,980,593	3,888,549	3,888,549	2,828,180	2,828,180	2,980,593	2,980,593	24,397,312	
At June 30 2022	-	2,980,593	2,980,593	3,888,549	3,888,549	2,828,180	2,828,180	2,980,593	2,980,593	24,397,312	



**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>17 Inventories</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
General stores	22,347,100	278,245.00
Chemicals & Laboratory items	4,782,040	326,750.00
Water fittings and Accessories	28,500,960	587,230.00
Water meters	4,348,088	48,550.00
Uniform and protective clothing	1,295,917	90,500.00
Fuel, oil and lubricants	2,430,900	115,420.00
Motor vehicle spare parts	2,516,500	0.00
Stationery and general stores	1,199,350	52,350.00
Less: Impairment of stocks	(10,113,128)	(224,856.75)
<b>Total</b>	<b><u>57,307,727</u></b>	<b><u>1,274,188</u></b>
<b>18. Trade and other receivables</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	55,422,844	47,125,619
Provision for bad and doubtful receivables	-	-
<b>Net trade and other receivables</b>	<b><u>55,422,844</u></b>	<b><u>47,125,619</u></b>

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>19. Bank and cash balances</b>		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
Cash at bank		36,086,270	2,206,972
Petty cash		-	-
Revenue Cash Office		-	-
		<u><b>36,086,270</b></u>	<u><b>2,206,972</b></u>
<b>Breakdown of cash and bank balances</b>		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Financial institution</b>			
Equity Bank Kenya	Revenue 1000294576543	343,120	548,635
Equity Bank Kenya	Operations 1000278529469	459,577	254,483
Equity Bank Kenya	Bokolow 1000279120156	15,360,607	182,348
Equity Bank Kenya	CLTS 1000279515421	-	163,788
Equity Bank Kenya	Elwak PSF 1000281001972	0	1,057,718.90
Equity Bank Kenya	Border Point 1 1000282535001	1,140,214	
National Bank Kenya	Banisa 01040257996503	3,583,486	
National Bank Kenya	Rhamu 01040257996500	2,944,404	
National Bank Kenya	Warankara 01040257996501	2,815,479	
National Bank Kenya	Takaba 01040257996502	3,792,123	
National Bank Kenya	Elwak Falama 01050253229200	5,647,260.00	
<b>Sub- total</b>		<u><b>36,086,270</b></u>	<u><b>2,206,972</b></u>
<b>20. Ordinary share capital</b>			
Members Equity		61,982,062	61,982,062
Capital Grants		414,664,131	414,664,131
Retained earnings		(104,800,188)	(104,800,188)
<b>Capital and Reserves</b>		<u><b>371,846,005</b></u>	<u><b>371,846,005</b></u>
<b>20(a). Members Equity</b>			
1000 Authorised ordinary shares of Kshs.100 par value each		100,000	100,000
Government investmets		61,882,062	61,882,062
		<u><b>61,982,062</b></u>	<u><b>61,982,062</b></u>
<b>21. Tax liabilities</b>			
Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:			
		<b>2022-2023</b>	<b>2021-2022</b>
		<b>Kshs</b>	<b>Kshs</b>
Current Year's Tax Loss		(2,618,068)	(5,685,581)
Tax losses carried forward		(97,201,352)	(91,515,771)
Provisions for liabilities and charges		-	-
<b>Net deferred tax liability</b>		<u><b>(99,819,420)</b></u>	<u><b>(97,201,352)</b></u>

**XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2022-2023	2021-2022
21. Trade and other payables	Kshs	Kshs
Trade payables	51,975,426	22,466,920
Accrued expenses	54,598,221	28,632,713
Other payables(acrued salaries)	8,622,929	8,622,929
<b>21(b)</b>	<b>115,196,577</b>	<b>59,722,563</b>
Trade payables B/d	59,722,563	59,722,563
Increase in trade and accrued payables	55,474,014	0
	<b>115,196,577</b>	<b>59,722,563</b>

**22. Related party transactions**

**(a) Government of Kenya**

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

Other related parties include:

i) County Government of Mandera

ii) Key management;

iii) Board of directors;

**Transactions with related parties**

	2022-2023	2021-2022
<b>a) Expensed Grants from the Government</b>	Kshs	Kshs
Grants from County Govt	89,631,705	89,631,705
Grants from National Government	7,494,205	7,494,205
Donations in kind	16,606,440	16,606,440
<b>Total</b>	<b>113,732,350</b>	<b>113,732,350</b>
<b>b) Key management compensation</b>		
Directors' emoluments	2,874,164	2,874,164
<b>Total</b>	<b>2,874,164</b>	<b>2,874,164</b>

**23. Events after the reporting period**

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

**24. Currency**

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

**25. Incorporation**

Mandera Water and Sewerage Company (Mandwasco) was incorporated in the 2007 for the sole purpose of discharging the primary mandate of ensuring the delivery of sufficient, safe and affordable water services to the residents of Mandera town and the peri-urban settlements within the towns vicinity. Mandera Urban water supply under the jurisdiction of the Water Company serves the larger Mandera town which is also the County Headquarters. The water supply is composed of (4) four intakes namely:- Malkasufu intake, Haji Kerrow Intake, Neboi Intake and Handadu Intake.

## **Annex I**

### **a) 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.

### **b) Credit risk**

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

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

The customers under the fully performing category are paying their debts as they continue trading. 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.

### **c) 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.

### **d) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

### **Foreign currency risk**

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

**Annex2**

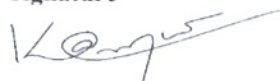
**Progress On Follow Up of Auditor Recommendations**

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:	Timeframe:
			(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
1	Inaccurate opening Balances	Error Corrected	Not resolved	
2	Inaccuracy in trade and other receivables	Error Corrected	Not resolved	
3	Unsupported Members Equity	Supporting documents ready for review	Not resolved	
4	Budgetary control and performance		Not resolved	
5	Non Revenue water		Not resolved	

Name : Kassim H. Abdinoor

Signature



Chief Executive Officer

Date: 20-09-2023

**Annex 3**

**Inter-Entity Confirmation Letter**

Mandera Water and Sewerage Company wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Mandera Water and Sewerage Company as at 30 <sup>th</sup> June 2023							
Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023						Amount Received by MANDWASCO	
						(KShs) as at 30 <sup>th</sup> June 2022	
						(E)	Differences (KShs)
							(F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial	Total		
				(C)	(D)=(A+B+C)		
Mandera County Government		142,792,694.00		-			
Mandera County Government			54,365,006.00	-			
Water Fund		7,001,447.35		-			
Water Fund			45,717,233.40				
<b>Total</b>		<b>149,794,141.35</b>	<b>100,082,239.40</b>				

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

**Head of Accountants department of beneficiary entity:**

Name Mohamed Maalim Sign



Date: 20th September 2023