

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

**MBOONI WATER AND SANITATION COMPANY
LIMITED**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

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MBOONI WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

Mbooni Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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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>WSP</i>	<i>Water Service Provider</i>

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2. Key Entity Information

Background information

Mbooni Water and Sanitation Company (MBONWASCO) is a private company limited by shares and incorporated on March 8, 2012 as a legal company under the company's Act Cap.486 law of Kenya as a public limited company guaranteed by the Government of Kenya with no shareholding but with stakeholders. This was as a result of enactment of water Act 2002 which ushered in the reforms in the water sector. The Company was formed by County Council of Makueni with two shareholders, each with one share, holding the shares as trustees for the people of Makueni but not on their own capacity. At County level, the Company is represented by the County Executive Members responsible for water and sanitation, Finance, Socio economic planning and in charge of the County Treasury and the County Secretary. The two County Executive Committee Members together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The company main office located at Mbumbuni water office as the proposed office in Tawa is yet to be constructed.

- The company supplies water to parts of Tulimani ward, Kisau Kiteta ward and Kako Waia ward with a combined population of
- **Population: -**
Total Population-64,123
Population served- 14,720.
Percentage of population served- 23%.
- **Operating Licence: -**The WSP has a **three (3)** year interim operating licence from Water Services Regulatory Board (WASREB).

MBONWASCO has three (3) water sources and a borehole that is not operational due to low yield and vandalism. The three main water sources include: Mbumbuni, Mukundi and Mulima. The company estimates that 80-200m³/day is produced from water sources. Water from Mukundi and Mulima water supply sources is untreated. The company currently supplies water to approximately 14,720 people, which is 23% of the total population in its service area. MBONWASCO has a total of **1,428** registered connections, of which 869 are active and 559 are in-active.

Principal Activities

MBONWASCO Principal Activities' are; -

- Provision of water services in its area of jurisdiction as defined by their Operating Licence and

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- Expansion of county assets for water service provision.

VISION AND MISSION

Vision and Core Values

Sustainable access to adequate, potable and affordable water supply and sanitation services for all.

Mission

MBONWASCO's mission is to provide potable, reliable and sustainable water and sanitation services to our customers through continuous development.

Core Values

Core values are the principles that guide the conduct and rules of engagement of MBONWASCO representatives. The core values guiding MBONWASCO are:

- **Integrity:** being principled in all situations while demonstrating transparency, trust, faithfulness and honesty.
- **Professionalism:** calls for respect towards others, efficient and effective service coupled with creativity and innovation.
- **Dedication:** committed to provision of excellent water and sanitation services to all.
- **Customer focus:** giving priority to customer needs and expectations in the services given.
- **Teamwork:** working together as a company and be pro-active in establishing synergies with relevant actors to enhance MBONWASCO's strengths and capitalize on opportunities.

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

1. Moses Nzioki Wambua	- Chairman	- Appointed on 15/08 2022, - Left on 15/02/2023
2. Stephen K. Munyao	- Chief Executive	
3. Eng. Benson Muange	-Director	- Appointed on 15/08 2022. - Left on 15/02/2023
4. Nichodemus Mutwii Titus	-Director	- Appointed on 5/08 2022.
5. Rosemary Maundu	-Director	-Institutional
6. Mary Kimanzi	-Director	-Institutional

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- | | | | |
|----|--------------------|------------|----------------|
| 7. | Damaris Kavoi | - Director | -Institutional |
| 8. | Eng. John K. Kieti | -Director | -Institutional |

Company Secretary

Company has no corporate Secretary

Registered Office

Mbonwasco Mbooni east Office,
Mbooni East Administrative H/Quarters,
P.O. Box 77-90133
TAWA, Mbooni,

Corporate Headquarters

Adjacent to Deputy County Commissioners Compound
P.O. Box 1-90127
MBUMBUNI.

Corporate Contacts

P.O. Box 77-90133
Telephone :(254)
E-mail: mbonwasco@gmail.com,

Corporate Bankers

Corporate Bankers
Kenya Commercial Bank Ltd,
P.O. Box 400-90101
MASII

Corporate Bankers

Kenya Commercial Bank
Wote Branch,
WOTE- MAKUENI.

Independent Auditor

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





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Principal Legal Advisers



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

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3. The Board of Directors





Directors	Details
<p><i>Moses Nzioki Wambua-Chairman: - Independent Director</i></p> 	<p>Ongoing –Bachelors in Business Administration</p>
<p><i>Eng.Benson Muange:- Independent Director</i></p> 	<p>Bachelors in Civil Engineering</p>
<p><i>Nichodemus Mutwii Titus :- Independent Director</i></p> 	<p>Diploma in Management -Human Resource Option. Bachelor of Education (Special Education)</p>
<p><i>Mary Kimanzi:- Executive Director</i></p> 	<p>Age:50 Academic Qualification: Master in Business Administration Key Professional Qualification: CPA(K) Work Experience: Over 10 years in financial planning and management</p> <p>Left on 31st October, 2022</p>

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<p><i>Rosemary Maundu:- Executive Director</i></p> 	<p>Age:55 Academic Qualification: Master in Business Administration Key Professional Qualification: Business Administration Left on: 31st October 2022</p>
<p><i>Eng.John Kasyoki Kieti:- Executive Director</i></p> 	<p>Age:65 Academic Qualification: Bachelor of Science Key Professional Qualification: Registered Engineer Work Experience: Over 15 Years in Water Engineering</p>
<p><i>Damaris Mumo Kavoi:- Executive Director</i></p> 	<p>Age:55 Academic Qualification: Masters in Business Administration Key Professional Qualification: CPA(K) Work Experience: Over 20Years in Financial Management, Consultancy and advisory services</p>
<p><i>Stephen K.Munyao:- Ag.Managing Director</i></p> 	<p>Age 56 years old. Holds a certificate in water supply technology.</p>

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4. Key Management Team

Managers	Details
<p>Stephen K. Munyao</p> 	<p>Ag. MANAGING DIRECTOR</p> <p>He's is 56 years old. He was seconded to the Company by the County, Department of water and Sanitation on 13th September 2019 as an Acting Managing Director. He holds a certificate in water supply technology from Kenya Water Institute. He has a wide range of experience in water management.</p>
<p>Elizabeth M. Kyengo.</p> 	<p>TECHNICAL MANAGER</p> <p>She is 50 years old. She holds a certificate in water supply technology from Kenya Water Institute. She was seconded to the Company by the County, Department of water and Sanitation on 13th September 2019 as a Technical Manager.</p>
<p>Richard N. Kamwea</p> 	<p>COMMERCIAL MANAGER</p> <p>He is 75 years old. He has worked in the Company as a Commercial manager since 2012. He has wide experience in stores management having worked with Ministry of Defence.</p>
 <p>Antony Mutuku</p>	<p>ACCOUNTS CLERK.</p> <p>He is 43 years old. He has worked as an Accounts Clerk in the Company since 2012. He has a CPA part 1 certificate and the KATC final certificate.</p>

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5. Chairman's Statement

Performance

The Company produces between 80m³ to 200m³ per day depending on time of the year and condition of water sources. Mulima and Mukundi sources dried during the March dry season. Non-revenue water has reduced from 35 to 33.

Due to increase in population, silting of earth dam reservoirs, unreliable electricity at Kinze, and prolonged dry weather spells; the water supply has drastically reduced.

Mbumbuni source is pumping where electricity is unreliable due to low power most of the time. Low electricity at Kinze and the area in general most of the times has made Mbumbuni water supply unreliable. This unreliable electricity leads to damage to three phase motor and other electrical wiring and appliances and can be rectified through installation of a transformer at Kinze pumping station to reduce power outage and damages due to low voltage. Installation of hybrid solar power to reduce on high production cost, cost of electricity and treatment chemicals is high. The supplies being rural, water consumption is low during the rainy season which also reduces the water demand drastically. Drying of water sources will be mitigated by desilting of Mulima and Kinze earth dam reservoirs as well as construction of a water reservoir at Mukundi.

2.Strengths.

- 1) Good relationship with partners.
- 2) Availability of adequate sunshine most times of the year.
- 3) Good topography within service area with gravity water sources.
- 4) Available water sources.
- 5) Ready market for water.

3.Challenges.

- | | |
|--|--|
| 1. Lack of funds, no external support. | 2. Lack of policies. |
| 3. Un skilled personnel, old staff. | 4. Lack of Board |
| 5. Inadequate water supply. | 6. Supply of raw untreated water. |
| 7. High NRW levels | 8. Dilapidated infrastructure. |
| 9. Minimal focus on sanitation. | 10. Limited water storage facilities. |
| 11.Services not automated. | 12. Inadequate office infrastructure. |
| 13. Unreliable electricity | 14.Vandalism. |
| 14.Vandalism. | 15. High abstraction cost by WRA at 5% |

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4. Improvement Plan/Way Forward

- The Company through the County is investing Kshs. 50M this Financial year 2023/2024 to rehabilitate Mulima w/supply.
- Through investment by the County in Aithi-Kalawa-W/Project, the Company will increase coverage, customer and revenue base. The Company has set out a satellite Office.
- The Company will minimise water kiosks and enhance household connections through last mile connectivity and automation of water kiosks.
- Through the County, capacity building will be done to enhance governance by recruiting a board, selection panel in place.
- To revive the Company, the County seconded an MD and the loosed have reduced, acquired a licence, improved on statutory issues.
- The Count Government has initiated clustering of Small water projects through Makueni Rural Water Board for enhanced governance.
- The Company through support from the County Government has done proposals to WSTF and NAWASIP, the County Government of Makueni to rehabilitate the old dilapidated water infrastructure, desilt mulima and Kinze earth dam, automate services, develop and provide sanitation services, construct treatment Works, installation of water meters to reduce non-revenue water. Installation of solar power at Kinze pumping station

Name: Moses Nzioki Wambua

Signature

Chairman of the Board



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6. Report of the Managing Director

I am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2023. This is the 7th annual report and financial statements for the Company despite the challenges the Company faces.

The key activities during the year were provision of water services. This involve water treatment, pumping, line patrolling, repair of bursts and leakages, meter reading and servicing, billing and distribution of bills, disconnections, reconnections, revenue collection.

Performance of the Company was faced with challenges as follows;

1. This period was faced with challenges of Mukundi and Mulima Water sources drying up, while Mbumbuni source had enough water but unreliable grid power. This lead to decrease in water production, billings and revenue collection.
2. Our revenue collection dropped from Kshs. 2,745,340.00 to Kshs.2,379,916.00 for the years 21/2022.and 2022/2023 respectively giving a drop of 13.30% compared to 18.4% last financial year
3. Our billings also dropped by 15.2% from Kshs. 3,100,980.00 to Kshs.2,629,669.00 for the years 2020/2021 and 2022/2023 respectively.
4. During this period, the Company was able to successfully apply and negotiate for an operating licence, hold public consultation and be issued with a three (3) year interim operating licence.

Other challenges faced by the company.

- | | |
|--|--|
| 1. Lack of funds, no external support. | 2. Lack of policies. |
| 3. Un skilled personnel, old staff. | 4. Lack of Board |
| 5. Inadequate water supply. | 6. Supply of raw untreated water. |
| 7. High NRW levels | 8. Dilapidated infrastructure. |
| 9. Minimal focus on sanitation. | 10. Limited water storage facilities. |
| 11.Services not automated. | 12. Inadequate office infrastructure. |
| 13. Unreliable electricity | 14.Vandalism. |
| 14.Vandalism. | 15. High abstraction cost by WRA at 5% |

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Current status on key performance indicators.

Below are the MBONWASCO performance indicators according to sector benchmarks as indicated in Wasreb Impact Report 15, which are ranked as good, acceptable or not acceptable by the regulator.

WASREB					MBONWASCO	
Key Indicators	Performance	Good	Acceptable	Not Acceptable	Impact Report	Impact Report
					14	15
1	Water coverage	>90%	80 – 90%	< 80%	10%	ncd
2	Drinking Water Quality	>95%	90 – 95%	< 90%	31%	55%
3	Hours of Supply	Population < 100,000 17 – 24	12 – 16	< 12	9%	9%
4	Personnel Expenditure as % of O&M costs	Small WSPs < 40%	40 – 45%	> 45%	43%	91%
5	O&M Cost Recovery	≥ 150%	100-149%	≤ 99%	77%	ncd
6	Revenue Collection Efficiency	> 95%	85-95%	<85%	85%	48%
7	Non-Revenue Water	< 20%	20– 25%	>22%	34%	33%
8	Staff Productivity - Staff per 1,000 connections	Small WSPs < 9	9 – 14	> 14	39%	28%
9	Metering ratio	100%	95 - 99%	< 95%	94%	94%

Water coverage: MBONWASCO’s water coverage was at 23% in 2014/15 and has since dropped to approximately 10.23% due to challenges with the water supply and distribution, occasioned by;- increased water demand reducing coverage area, damaged pipelines during road construction reducing area supplied, reduced water supply, old dilapidated pipelines. Which no longer function. There is need for rehabilitation of the whole supply system and expansion to new areas.

Drinking water quality: Water quality has improved from 31% to 55% for this indicator, The Company has a small water treatment works at Kinze with a capacity of 10m³/hour contributing to low water production level while the other two sources lack treatment works. The Company has raised proposals on construction and expansion of treatment works.

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Hours of supply:- Hours of supply stands at unacceptable levels of 9 hours a day due to insufficient water production levels coupled with dilapidated infrastructure. In addition, MBONWASCO's current storage capacity is 1,450m³, which is insufficient for the current population. Given that MBONWASCO operates in Arid Semi-Arid Lands (ASAL), strategies for rain water harvesting are being considered to ensure water is kept for the drought periods.

Personnel expenditure as percentage of O&M costs: MBONWASCO realized a decline in maintaining our personnel expenditure at the recommended WASREB standard. This was occasioned by CLSG funds from WSTF which necessitated payment of salary arrears increasing personnel expenditure.

O&M cost coverage: There was no rating for this indicator. However, O&M coverage costs are at low levels. Tariff levels are also low and there is a need to change the current tariff to enable improvement in finances and service provision. There are three distinct tariffs in effect that were agreed upon at the community level for 1m³ as follows: Mbumbuni water supply project: Kshs. 150, Mulima water supply project: Kshs. 60, and Mukundi water supply project: Kshs. 50.

Revenue collection efficiency: -Revenue efficiency was at an unacceptable level of 48%.

Staff productivity: - Staff productivity standards above the recommended standards at 28 per 1,000 connections. However, it was an improvement from 23 staff per 1000 connections to 39 staff per 1000 connections.

Non-Revenue Water: - NRW is at 33% a reduction of 1%.

Metering Ratio: -Metering ratio stands 94% which is below the recommended levels

NB/Though the metering ratio is 94%, some of the metered consumers are dormant either through disconnection or not getting water due to inadequate water supply. Also the 9 hours of supply is not constant putting into account that two of our water sources dried up while the other one had unreliable grid power supply throughout the period

The company is facing financial challenges and strategies have been put in place to improve on the liquidity of the Company by: -

- Enhancing revenue collection by doing timely meter reading, billing, bills distribution and revenue collection exercises.
- Reducing non-revenue water to good level by carrying out prompt repairs to bursts and leakages, line patrolling, meter servicing and prevention of water theft.
- Rehabilitation of 6km pipeline network damaged by road construction Companies by lobbying for resources.
- Collection of outstanding debts.
- Applying for a tariff to Wasreb to improve on the water rates of Kshs.50, Kshs.60 and Kshs.150 per cubic metre which is too low to sustain the Company.
- Having Board of Directors to enhance governance issues and give policy directions.
- Applied to open deposit and operations accounts.
- Registered a pay bill No.
- Installing computerized billing system.

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The successes registered by the Company were as follows: -

- i) Filing KRA returns monthly for the staff.
- ii) Successful application and issue of an operating Licence by the WASREB.
- iii) Being able to carry out major breakdowns promptly.
- iv) Having an interim Board of Directors.
- v) Retired two (2) of its staff.

WAY Forward

The following are the needy areas for support/Collaboration

Item	Current Status	Proposed intervention
Automation of key services-ERP system.	Services carried out manually	Automate the key services
Solarisation of Kinze pumping station to reduce cost of production.	Use of grid power and diesel	Install solar energy at Kinze pumping station
Training of BOD and CMT	No training has been done	
Water treatment	<ul style="list-style-type: none"> • Inadequate treatment at Kinze. Cons to benefit-373No. • No treatment at Mulima and Mukundi Cons to benefit-224No. 	<ul style="list-style-type: none"> • Construction of Composite Filtration units(CFUs) 2No total capacity 50m³/h at Kinze treatment works Kinze, and treatment works for Mukundi. • Purchase and installation of water treatment equipment-FRO dosers, solution tanks and water testing equipment.
GFBC-Kithongo-Mukimwani	Damaged by road construction works:- <ul style="list-style-type: none"> • Cons to benefit-45No. • Distance -2.6Km, 63mm • Distance -1.2Km, 40mm • Size of pipe-63mm 	Construction of a 40mm-63mm pipe line from GFBC Mbumbuni to Kivani and Mukimwani
Mbumbuni Usalala pipeline	Damaged by road construction works:- <ul style="list-style-type: none"> • Cons to benefit-40No. • Distance -5.7Km • Size of pipe-90mm-63mm 	Construction of a 63mm pipe line from Mbumbuni to Usalala-Kyangondu
Kisau Girls-Ngoluni-Kyangondu-Kavingo pipeline	Damaged by road construction works:- <ul style="list-style-type: none"> • Cons to benefit-25No. • Distance -0.8Km, 90mm • Distance - 3.4Km, 63mm • Distance - 2.4Km, 63mm 	<ul style="list-style-type: none"> • Construction of a 90mm pipe line from Kisau Girls to Ngoluni • Construction of a 63mm pipe line from Ngoluni to Kitandi.

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Mbumbuni Market Steel tank	The Steel tank is corroded, leaking from sides and the bottom and holding a quarter of its original capacity of 86m ³ . <ul style="list-style-type: none"> • Cons. to benefit-225No. • Required size – 100m³ 	<ul style="list-style-type: none"> • Erection of a new 100m³ steel tank on a 10m steel tower with all connections done.
Ngaa masonry tank and pipeline	<ul style="list-style-type: none"> • Current tank is a steel retaining wall with a water proof lining which is tone and holding 20m³ of water of its original capacity of 50m³. • Current pipe line is of small diameter 40mm. • Cons. to benefit-25No. • Distance –0.6Km • Distance – 2.0Km <p>Size of tank-50m³</p>	<ul style="list-style-type: none"> • Construction of 100m³ ground masonry tank • Construction of 1Km pipeline from the constructed tank
NRW-Annex 1	NRW above recommended market bench marks at 33%	<ul style="list-style-type: none"> • Acquisition of leak detector. • Acquisition of pipeline locator. • Acquisition of meter calibration bench • Installation of production, zonal smart meters, as well as smart consumer meters. • NRW reduction strategy- (Annex Provided).
Tariffs.	Use of unapproved Tariffs	Development of Tariffs.
Transformer at Kinze pumping station.	Transformer is over six hundred metres away and is being used by the community, leading to recurrent low power and destruction of our appliances always. Cons to benefit-373No.	Installation of a transformer at Kinze pumping station site. KPLC quotation is at Kshs.1.5m
Three phase motor and pump.	Stand by motor faulty and the current one in use rewind twice Cons to benefit-373No.	Installation of a new Three phase motor 37kw and multi stage centrifugal pump equivalent to the one on site
Polices and plans-Annex2	<ul style="list-style-type: none"> • Strategic plan expiring in 2023 • Other policies and plans not formulated. 	Formulation and approval of polies and plans.

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With support from the county government and other development partners the company will put efforts and mitigation measures in addressing the main challenges mentioned above. The company will also continue to extend its services to un-served residents in all the schemes.

Name: Stephen K. Muryao

Signature 

Ag. Managing Director



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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

- *Mbonwasco* has 5 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:
- Pillar /theme/issue 1: Water sanitation and infrastructure development
- Pillar/theme/issue 2: Operational efficiency and customer satisfaction
- Pillar/theme/issue 3: Financial sustainability
- Pillar/theme/issue 4: Institutional capacity strengthening
- Pillar/theme/issue 5: Improve corporate governance in MBONWASCO
- *Mbonwasco* develops its annual work plans based on the above 5 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly/annual basis.

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ANNUAL WORKPLAN FY 2022/2023				
Strategic Pillar/The me/	Objective	Key Performance Issues Indicators	Activities	Achievements
1,Water sanitation and infrastructure development	Increase water supply coverage from 10.2% to 49% by 2022/23	Number of kilometres rehabilitated/replaced, No. of kiosks constructed and rehabilitated, No. of meters purchased and installed, No of minor repairs/replacements done, No. of masonry tank constructed.	Construction of Tawa market pipeline, Construction of Closed Kiosk 1-Insitu,rehabilitation of 2No. Water Kiosks, Pipeline Extensions From Kalawani to Kithuia tank, Metering-Purchase of Consumer and section meters, Repair of Steel Storage Tank (rehabilitation works), Others minor repair works-Replacement of ball valves at Ngetha and tank Zero. Construction of 50m3 new masonry tank at Ngaa, construction of GFBC-Kithongo pipeline, construction of Ngaa pipeline and construction of Mbumbuni market pipeline.	The Utility developed a UPC 8 th call proposal to WSTF 8 th call amounting toKshs.19,868,000 and the proposal went through the process up to shortlisting for funding. Awaiting response from WSTF
2.Operational efficiency and customer satisfaction	Reduce NRW from 48% to 25% by 2022/23	No. of section meters installed	Purchase and install 4 section meters	
		No. of consumer meters purchased	Purchase and install 100 consumer meters	
		No. of leaks reported by customers	Sensitization of customers and community to report leaks and bursts	
		-No. recruited and trained. -% adherence to the billing cycle	-Train more meter readers -Implementation of billing cycle -Provide meter readers with working tools	
-Procure and install proper billing system -Implement an effective and efficient billing system	-Implemented billing system -Percentage of bills without errors	Lacked funds to implement billing system		

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		No. of illegal connections prosecuted	Eliminate illegal connections	Lack of legal framework to prosecute illegal connections
		% of meters serviced	Frequent meter servicing	Meter accuracy improved
Improve operational efficiency		NRW reduction		
		Improve service delivery		
Improve water production efficiencyes to 100% by 2019		Percentage of savings acquired/increase in reserves Reliable and uninterrupted power production sources	-Installation of solar panel -Establishment of wind turbines	Low production costs
Maintain water quality standards at 95% and above by 2020		Equip and rationalize testing laboratory	Construction and equipping of water testing laboratory.	Lacked funds to implement
		Percentage of water quality	Percentage of water quality	Water quality at 31% and still low. Need for treatment works at Mulima and Mukundi.
Ensure 100% process automation to increase efficiency by 2020		Levels of inter and intra departmental coordination and efficiency -No. of computers purchased	Purchase Enterprise Resources Planning (ERP) software -Purchase 5 office computers	Automated and integrated management functions No funds to purchase and install the EPR system and computers.
To increase customer satisfaction level from 20% to 85% by 2021		Level awareness and understanding of customer charter	Develop customer service charter	Development in progress awaiting Board members for review and approval.
Improve O & M		Increase water revenues by 100%	Increase water revenues by 100%	Collection at 85%

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3.Financial sustainability	cost coverage from 32% to 70% by 2022/23 increase water revenues by 100%	% reduced cost of O&M	Cost management measures Investment in green energy audit Feasibility study both technical and financial	No resources to implement.
	Increase current revenue base from KES 300,000 to 2.6 million per month by 2022/23	Develop and implement appropriate and approved tariff	Develop, seek approval and implement appropriate and approved tariff	Development in progress
		No.of active connections increased	Increase number of active connections from 700 to 800	Connections increased
	To improve collection efficiency from 48% to 85% in 2018	Increase in collection efficiency		
		Sensitizations	Sensitize customers on the need for timely and prompt payment	Sensitisation done during revenue collection exercises
	Reduce accounts receivables from KSh. 1,102,117 to 150,000 of revenue base by 2021	% of debt reduction	Reduce amount of debt	Debt reduction done
		Implemented integrated financial management system- procurement, stores	Implement an integrated financial management system	No funds to purchase and install integrated financial management system

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		No. of staff trained/Employed	Ensure that we have competence in this area	
4. Institutional capacity strengthening	Ensure staff to connections ratio of 8 to 1,000 connections by 2019	Implementation status	Design and implement new organization structure aligned to strategic plan	To be developed once a board is constituted.
		Level of compliance and enforcement of HR policy	Develop and implement HR function in the organization	No fund to implement the function
		Staff appraised	Manage staff performance	No performance management and appraisal system in place. To be developed
		Revised terms and conditions	Improve employee terms and conditions of service	To be improved once financial position improves
5. Improve corporate governance	Appointment of a Board	Board members recruited	Advertise and recruit Board members	-Process of recruiting Board members not concluded by close of the financial year.
	Build board capacity for good corporate governance by 2020	Board members capacity build.	Strengthen capacity of the board on corporate governance	-Advertising done three times and not responsive

8. Corporate Governance Statement

During the year under review, the board held three (3) full board meetings. The succession plan is as guided by Water Services Regulatory Board (WASREB) guidelines and the Memorandum and Articles of Association of Mbooni Water and Sanitation Company Limited. This requires that after the third year from the date of Board inauguration, a third of the directors shall retire and be replaced. This shall continue by rotation every successive year.

The new board of directors was appointed in observance of the water Act 2012, Makueni County water Act 2020, and Wasreb guidelines. The current board of directors was inaugurated in August 2022 as an interim board after unsuccessful recruitment and their term expired in February 2023

The roles of the directors are mainly policy formulation, guidance and oversight. The interim board members term was short, for six. They were not inducted/trained on cooperative governance to prepare it for both board and individual performance.

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The boards remuneration is mainly sitting allowance for all the board members for each meeting attended and a monthly honorarium for the Chairperson of the board. The members are subject to observance and adherence to integrity tenets that include conflict of interest, code of ethics and conduct and other issues related to governances as stipulated in the WASREB corporate governance guidelines for the water sector 2018. The interim board assisted in acquiring an interim thee (3) year operating licence from the WASREB. Currently the term of office for the interim board expired and advertisement for the new board of directors has been done.

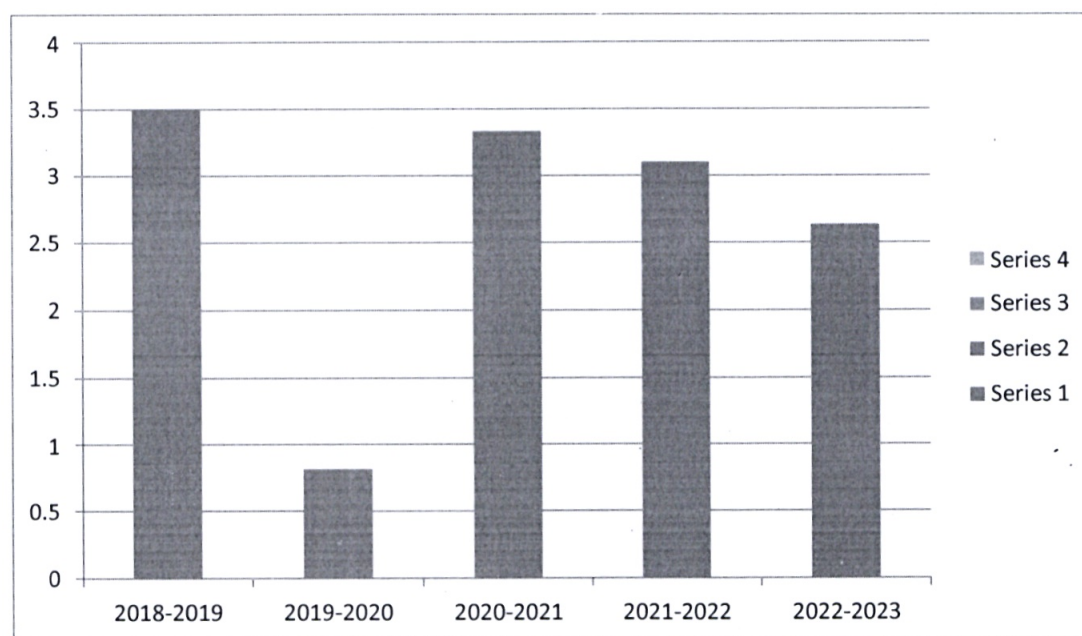
Mbooni Water and sanitation Company Ltd
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9. Management Discussion and Analysis

1. Revenue/Income

During the Financial year 2022-2023, the Company registered a decrease in its revenue by Kshs.0.471M representing a 15.2% decrease in growth compared to financial year 2021-2022. The decrease in growth was due to challenges of Mukundi and Mulima Water sources drying up, while Mbumbuni source had enough water but unreliable grid power supply. This lead to decrease in water production, billings and revenue collection. The company increased its registered connections by 68 during the year. The assets of the Company did not grow during the year.

Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Amount(Kshs 'm')	3.495	0.817	3.331	3.100	2.63



2.Mbonwasco’s key projects or investments decision implemented or ongoing: -

Mbonwasco did not have key projects or investments decision during the year.

3. Compliance with statutory requirements: -

NSSF: -NSSF deducted and remitted on monthly basis. However, there are outstanding arrears.

NHIF: - NHIF deducted and remitted on monthly basis.

PAYEE: - Payee returns filed on monthly basis.

WRA: - WRA water use fee paid only outstanding is current billing.

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WASREB:-IN arrears in payment of regulatory fee to Wasreb.

WASPA:-We were not subscribed for the year under review.

OPERATING LICENCE:-The Company has a three year interim operating licence from the regulator (WASREB).

4. Major risks facing MBONWASCO:-

MBONWASCO faces a myriad of challenges yet must strive to be effective and efficient in their operations to win the confidence of stakeholders in a dynamic water sector and business environment. The formulation and execution of a comprehensive risk management framework therefore will assist the board and CMT to be well prepared in facing MBONWASCO's challenges through oversight, making informed decisions, control and commitment towards progressive improvement of her risk management capabilities. Currently Mbonwasco has no Risk management policy and Risk Recovery plan place. These policies will be formulated once the Board of Directors is appointed.

Contributing Factor	Risk/Implication to MBONWASCO	Mitigate / enhance / exploit
Political interference	Undermines technical efficiency and operations of MBONWASCO strangling growth and compromises decision making processes	Operate MBONWASCO based on sound business principle at all levels. Create awareness on MBONWASCO's objectives and align where appropriate with relevant political leaders towards achievement of objectives.
High cost of living	<ul style="list-style-type: none"> • Inability of people to pay for water • Mushrooming illegal connections hence NRW • Increased cost of water production (O&M costs) 	<ul style="list-style-type: none"> • Create awareness to help consumers understand the need to pay for services if MBONWASCO is to provide quality water • Advise on payment in instalments so as not to lock out clientele at different levels.
High cost of raw materials	Increase of production costs	Identification and use of quality alternative raw materials
Increased power rates due to inflation	Increase of overhead costs	Introduce alternative sources of power for pumping water (solar power and/ or wind power)
Ideology on compensation by land owners where infrastructure traverses through private land	<ul style="list-style-type: none"> • Progress in implementation of development projects is hampered. • Infrastructure located on road reserves. 	Consultations with stakeholders who will be affected by development project should be commenced well in advance before any implementation.

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Ideology of free water for all that is reinforced by high-level politicians	<ul style="list-style-type: none"> • Unwillingness of communities to pay for water services • Vandalism of water supply facilities • Rise of illegal connections hence increasing NRW 	<ul style="list-style-type: none"> • Create awareness on implications of free water and reasons on what charges entail and why • Patrol of areas where distribution network is and act on cases of vandalism and illegal connections
Ideology amongst communities that water is expensive	<ul style="list-style-type: none"> • Unwillingness of communities to pay for water services • Unwillingness of communities to seek for water connections to their households • Realization of losses 	Create awareness on tariff development process to enhance understanding of elements costed in final price given for services provided and the importance.
Increased power rates due to inflation	Increase of production costs	Introduce alternative sources of power for pumping water (solar power and/ or wind power)
Community perception on project ownership	<ul style="list-style-type: none"> • Limited support of development project • Vandalism of infrastructure and increase in NRW 	Sensitization and engagement of communities at every stage of the proposed project from planning to implementation to instill a sense of ownership amongst communities
Lack of compliance to the relevant legislation (Water Act 2016, Occupational Safety and Health Act, 2010, WASREB regulations)	<p>Risk of lawsuits and dissolution</p> <p>Risk of being disreputable</p>	<ul style="list-style-type: none"> • Apply for SPA for MBONWASCO operations • Submit statutory deductions required • Adopt protective and preventive measures to promote safe working conditions for all staff (use of protective equipment/ clothing)
Lack of legal procedures to prosecute water defaulters	Loss of revenue	Coordinate with Makueni County government to provide legal officer to guide on actions to be taken.
Climate change and environmental degradation	<ul style="list-style-type: none"> • Disappearance of natural water sources due to interference of the hydrological cycle • Decline in water quality and quantity produced 	MBONWASCO to be proactive in initiating and collaborating with relevant agencies in environmental conservation activities

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Drying of water sources	<ul style="list-style-type: none">• Decline in efficient water and sanitation service provision• Loss of clientele base• Increase in losses• Loss of confidence by clientele in MBONWASCO	<ul style="list-style-type: none">• Lobby NEMA, communities through WRUAs and WRMA to actively engage in conservation of water sources and their related ecosystems• Lobby for the recharge and reactivation of WRUAs in Mbooni to implement environmental protection initiatives to recharge water sources through afforestation and reforestation.• Engage in education and awareness drives on the impacts of sand harvesting to water sources and related ecosystems and how it affects water supply
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5. Material arrears in statutory and other financial obligations: -

The Company has an outstanding debt totalling to Kshs 6,596,925

6. Review of the economy: -

The economy has not been performing well occasioned by high inflation which affected most Kenyan earnings, reducing their ability to pay for water services which has direct effect on our operations..

Also the drought ravaging some parts of the country has affected our economy which has direct effect on our operations.

The following were the effects of this to our operations:-

- i) Affected consumers were unable to pay for their water bills which reduced our revenue collections.
- ii) Cost power, fuel and oils, water treatment chemicals and other consumables has become very high consuming the little revenue collected.
- iii) Cost of living for the staff has also been affected by the high cost of living.

7. Review of the sector:-

The water sector is growing and there is need for investment in the water sector.

Small and not well established water Service Providers have a challenge in growing in the sector because most donors are not willing to engage them and make them grow because of their low revenue levels. There is need for the County, Governments, The National Government, Water sector Government agencies and the donors to review their strategies and engage this WSPs and put them at

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a level where they will be able to perform. This will be in infrastructure development, governance, regulatory among others.

8. Future development:-

Future developments are contained in the Company's strategic plan and implementation of the developments is constrained by lack of resources. This developments covers:-

- i) Rehabilitation of Mbumbuni water supply which includes:- Installation of green energy at Kinze, Construction of treatment works, desilting of Kinze earth dam and construction of tanks and pipelines.
- ii) Rehabilitation and expansion of Mukundi water supply comprising a flood water storage reservoir, treatment works, pipelines and tanks.
- iii) Rehabilitation of Mulima water supply which includes desilting of Mulima earth dam, replacement of the pipeline infrastructure and construction of a conventional treatment works.

10. Environmental and Sustainability Reporting

Mbonwasco 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/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability

i) Sustainability strategy and profile -

The sustainability of the utility is key in realization of the rights to water and sanitation services. Water losses measured as NRW is the main operational sustainability indicator and has a direct effect on quality of service seen in terms of access, quality, reliability and affordability. Although a marginal decline in NRW was noted in current period, 34% is still quite high and efforts is required to reduce this to an acceptable level of 25%. Sustainability of the Utility will also depend on political will which will ensure that there is no political interference of running of the utility and willingness to avail County resources to rehabilitate and expand infrastructure of the Company. The Economy of the Country has not been doing well. This has also affected the economy of our customers, reducing their ability to settle their bills, hence reducing our revenues.

We have not been able to have Board members, have Human resource, Audit, Procurement functions, Accounts. No billing software system and most policies not formulated. We have been able to pay for electricity throughout the financial year without a disconnection as it has always been. all the staff have been put under the NHIF scheme, filing KRA returns monthly

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for the staff, successful application for CLSG of Kshs,2,616,976.00. Applying for 8th call proposal to WSTF, appraised up to shortlisting for funds allocation. Challenge was source of VAT, being able to carry out major breakdowns prompt, advertisement for positions of Board of Directors advertised.

ii) Environmental performance

The organisation does not have an environmental policy, and it does not produce waste.

iii) Employee welfare

The organisation does not have a human resource policy manual and process in on to develop one. No activity carried out to improve skills and managing careers, appraisal and reward systems during the year. The organisation has no policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

We maintain responsible competition practices with issues like anti-corruption by ensuring that our completion is ethical.

Our political involvement is responsible and is on development agenda and not in any way to affect operations of the Company.

Our competition is fair as our prices cannot be increased without stakeholder consultation and approval by the regulator Wasreb to the disadvantage of our competitors.

We respect competitors and they play an important stakeholder in bridging the gap in water coverage and supply. They also supplement our services when we have no supply due to break down or our sources drying up.

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b) Responsible Supply chain and supplier relations

Suppliers are treated responsibly and their payment done.

c) Responsible marketing and advertisement

We don't advertise for our services and we are readily available to our customers and prospective customers.

d) Product stewardship

The organisation is developing a customer service charter.

Customer complaint received and acted on.

Timely response to customer issues.

v) Corporate Social Responsibility / Community Engagements

The organisation did not have CSR activities carried out in the year.

Mbooni Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

11. 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

i) Principal activities

The principal activities of the Company are:-

- Provision of water services in its area of jurisdiction as defined by their SPA and
- Expansion of county assets for water service provision.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1 to page 6 of the financial statements.

iii) Dividends

The company has not declared dividends for the year ended 30 June 2023 because there are no investments.

iv) Directors

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

v) Auditors

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

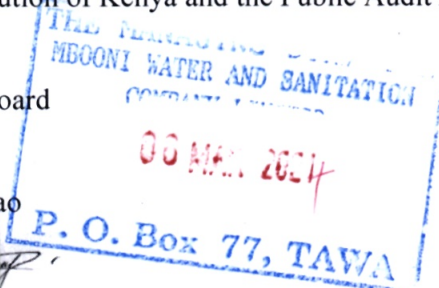
By Order of the Board

Stephen K. Munyao

Name

Company Secretary/Secretary to the Board

Date:



12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

The County Owned company is in a tough financial situation and is struggling to pay its debts. The County Government gives the company a bailout and guarantees all payment to its creditors. The state owned company is a going concern despite its poor financial position.

Approval of the financial statements

Mbooni Water and sanitation Company Ltd

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

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

Moses Nzioki Wambua

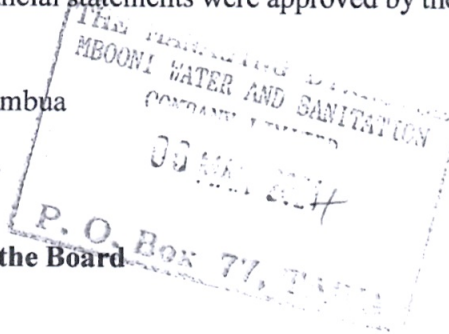
Name

Chairperson of the Board

Stephen K. Mumyao

Name

Managing Director



REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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 the 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 Mbooni Water and Sanitation

Company Limited set out on pages 1 to 45 which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a 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 Mbooni Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards(IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Non-Disclosure of Property, Plant and Equipment

The statement of financial position and Note 20 to the financial statements reflects nil property, plant and equipment balance. However, review of the assets register revealed various assets including furniture and building.

In the circumstances, the accuracy and fair statement of the statement of financial position could not be confirmed.

2. Unconfirmed Cash and Cash Equivalentents

The statements of financial position reflects bank and cash and balances of Kshs.59,295 as disclosed in Note 32 to the financial statements. However, the cashbooks lacked key transactions details including payee, transaction references, cheque numbers and they were not balanced on a monthly basis or reviewed. Further, only bank reconciliation statements for the month of June, 2023 were prepared.

In the circumstances, the accuracy and completeness of cash and balances of Kshs.59,295 could not be confirmed.

3. Long Outstanding Trade and Receivables

The statement of financial position reflects trade and receivables balance of Kshs.3,002,701 as disclosed in Note 29 to the financial statements. The balance includes debts outstanding for more than one year of Kshs.2,176,836. However, there was no provision for bad and doubtful debts or approved policy on bad and doubtful debts. Further, the Company has also not indicated measures instituted to recover the debts.

In the circumstances, the accuracy and rights of trade and receivables balance of Kshs.3,002,701 could not be confirmed.

4. Unsupported Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.244,000 as disclosed in Note 43 to the financial statements. However, there was no separate customer deposits bank account. Further, customer deposits were banked in the operations bank account which had a balance of Kshs.59,295 as at 30 June, 2023, indicative of using customer deposits to finance operations.

In the circumstances, the accuracy, completeness and existence of customer deposits balance of Kshs.244,000 could not be confirmed.

5. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.6,596,925 as disclosed in Note 42 to the financial statements. However, review of supporting documents including invoices revealed that payables amounting to Kshs.6,482,881 were for financial year 2021/2022 and prior years some dating back the year 2012. This is indicative of lack of adequate mechanisms or strategies to clear them which exposes the Company to litigations and interests claim from the creditors.

In the circumstances, the accuracy and obligations of the long outstanding payables balance of Kshs.6,596,925 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual amounts on comparable basis of Kshs.5,720,677 and Kshs.4,073,269 respectively, resulting to a shortfall of Kshs.1,647,408 or 29% of the budget.

The shortfall in revenue affected implementation of the planned activities and programs and may have impacted negatively on services delivery to the residents.

2. Material Uncertainty to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.1,183,237 from a profit of Kshs.605,587 reported in previous financial year. Further, the statement of financial position reflects current assets balance of Kshs.3,061,996 and current liabilities balance of Kshs.6,596,925 resulting to a negative working capital of Kshs.3,507,929 and a ratio of 1:2. If this trend continues into the foreseeable future, the Company may not be able to meet its obligations as and when they fall due.

In the circumstances, the Company's sustainability of delivery of water and sanitation services is heavily dependent on continued support by the Government, donors and creditors.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non - Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflect revenue from water sales of Kshs.2,629,669. Review of water

production records revealed that, the Company produced 44,016 m³ of water out of which 29,694 M³ was billed to customers leaving a balance of 14,322m³ or 33% which represents Non-Revenue Water worth Kshs.1,264,958. The loss is 8% above the allowable threshold of Non-Revenue Water (NRW) of 25% as provided for by the Water Services Regulatory Board (WASREB) guidelines.

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

2. Non-Compliance with Wage Bill Threshold

The statement of receipts and payments and as disclosed in Note 11 to the financial statements reflects staff costs amount of Kshs.3,627,393 equivalent to 89% of the total receipts of Kshs.4,073,269. This spending was contrary to Regulation 25(b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act not to exceed thirty five (35) percent of the total revenue.

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

3. Lack of Annual Procurement Plan and Pre-Qualifications

The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.1,297,326 and maintenance expenses of Kshs.276,787. However, there was no approved procurement plan to support purchase of various items under these expenditure categories. This was contrary to Regulation 50(3) of Public Financial Management (County Governments) Regulations, 2015 which requires an Accounting Officer of a government entity to make an expenditure commitment only against the procurement plan approved for that entity.

Further, review of procurement records revealed that the Company did not have a list of prequalified registered suppliers contrary to Section 95(3) of Public Procurement and Asset Disposal Act, 2015, which provide that, a procuring entity to invite tenders from only the approved persons who have been pre-qualified. In addition, the Company lacked a procurement officer, and procurement function is handled by the Accounts Clerk.

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

4. Non Compliance with Law on Ethnicity

Review of human resource records revealed that all the Company's eighteen (18) employees are from the local dominant ethnic community. This was contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third (1/3) of its employees from the same ethnic community.

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

5. Retention of Staff Beyond the Stipulated Retirement Age

Review of personnel files revealed that six (6) members of staff are aged over sixty (60) years, contrary to Section D.21 of Public Service Commission Human Resource Policies and Procedures Manual. The policy stipulates that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years or 65 years for persons with disabilities and/or as may be prescribed by the government from time to time.

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

6. Staff in Acting Capacity for Over Six (6) Months

Review of the payroll records and personnel files revealed that two (2) employees have been acting since September 2019. This was contrary to Section 34(3) of the Public Service Commission Act, 2017 which stipulates that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding six months.

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

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

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

Conclusion

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

Basis for Conclusion

1. Lack of a Board of Directors

During the year under review, the Company operated for five (5) months without a Board of Directors and related committees including finance and administration. This is contrary to Section 79 (1) of Water Act, 2016 which states that a water services provider shall have a board of directors and in the case of a company, the members of the board of directors shall be constituted in accordance with the Companies Act, 2015 or any other written law.

In the circumstances, the effectiveness of reviewing and oversighting of the Company's operations could not be confirmed.

2. Weaknesses in Water Management Operations

Review of the Company's operations revealed inadequate water supplies due to unreliable nature of water sources, siltation, frequent power outages, limited water storage and dilapidated water infrastructure. Further, it was noted that the water tariffs were low and there was lack of timely revenue collection caused by failure to carry out meter readings and billings to customers on time. In addition, there were unaddressed water treatment challenges due to minimal focus on water sanitation

In the circumstances, the effectiveness of internal controls on water management could not be confirmed.

3. Unmetered Customers

Review of the background information in the financial statements indicates that the potential customers are approximately 14,720, out of which only 1,428 are registered connections. In addition, only 869 of the connected customers are active, and balance of 559 customers are in-active. There is therefore a huge un-tapped potential customer which would enhance revenue and profits with more connections.

In the circumstances, the Company's ability to continue to carry out its mandate of delivery of water and sanitation services could not be confirmed

4. Lack of an Internal Audit and Audit Committee Functions

Review of the Company records and processes revealed that the internal audit function had not been established contrary to Section 155(5) of Public Finance Management Act, 2012 which provides that a County government entity shall establish an internal audit function whose composition and functions shall be prescribed by the regulations. Thus, there was no independent assurance on the effectiveness of Company's risk management, governance and internal controls.

Further, there was Audit Committee contrary to Section 167(1) and 168(a) of Public Finance Management (County Governments) Regulations, 2015. The Regulations requires a County Government entity to establish an audit committee, whose duty shall be to support the Accounting Officers with regard to the responsibilities on issues of risk, control and governance and associated assurance.

In the circumstances, the effectiveness of internal controls, risk management and overall governance could not be confirmed.

5. Lack of Policies and Manuals

Review of the Company records and processes revealed that the entity lacks Disaster Recovery and Business Continuity Plans, approved Information and Communication

Technologies (ICT) Policy and Risk Management Policy. This was contrary to Section 158(1) the Public Finance Management (County Governments) Regulations, 2015. Further, there was finance policy and manual, human resource policy manual, approved staff establishment, terms and conditions of service and salaries grading structure to guide on key financial and human resources processes and controls.

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

6. Lack of Key Staff and Departments

Review of the Company employment records revealed that the finance department had only an accounts clerk. Further, procurement and human resource departments had not been established and Management did not indicate the plans to establish these departments.

In the circumstances, the effectiveness of Company's operations, processes and systems could not be confirmed.

7. Weaknesses in Store Management

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.1,297,326 as disclosed in Note 12 to the financial statements. The amount includes expenditure on water chemicals of Kshs.66,424, office supplies of Kshs.23,130 and other operating/general supplies of Kshs.94,640. However, these items were not taken on charge contrary to Section 162(1) of Public Procurement and Asset Disposal Act, 2015 which requires, an Accounting Officer of a procuring entity to ensure that all inventory, stores and assets purchased are received, and are not used until taken on charge.

In the circumstances, the effectiveness of internal controls on store management could not be confirmed.

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 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 financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company 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 use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

Mbooni Water and Sanitation Company Ltd.

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

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	2,629,669.00	3,100,980.00
Grants Income	7	1,443,600.00	2,616,976.00
Other Income	8		
Total Revenue		4,073,269.00	5,717,956.00
Expenses			
Staff Costs	11	3,627,393.00	2,858,463.00
General and Operations expenses	12	1,297,326.00	1,897,985.00
Board Expenses	13	55,000.00	-
Maintenance Expenses	14	276,787.00	356,041.00
Depreciation and Amortization expenses	15		
Finance Costs			
Total Expenses		5,256,506.00	5,112,489.00
Profit/(Loss) Before Taxation		(1,183,237.00)	605,587.00
Income Tax Expense/(Credit)	17		181,676.10
Profit/(Loss) After Taxation		(1,183,237.00)	423,910.90

Mbooni Water and Sanitation Company Ltd.
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15. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
			RESTATED
		Kshs	Kshs
Current assets			
Trade and receivable	29	3,002,700.67	2,765,413.00
Bank and cash balances	32	59,295.00	308,107.09
Total non-current assets		3,061,995.67	3,073,520.09
Total Assets		3,061,995.67	3,073,520.09
Equity and liabilities			
Capital and Reserves			
Retained earnings	54	(3,778,928.91)	(2,595,691.91)
Total Capital and Reserves		(3,778,928.91)	(2,595,691.91)
Non-current liabilities			
Customer Deposits	43	244,000.00	-
Total non-current liabilities		244,000.00	-
Current liabilities			
Trade and other payables	42	6,596,924.58	5,669,212.00
Total current liabilities		6,596,924.58	5,669,212.00
Total liabilities		6,840,924.58	5,669,212.00
Total equity and liabilities		3,061,995.67	3,073,520.09

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

Stephen K. Munyao

Sign: 

Managing Director

Daniel Mutua.

Sign: 

Technical Support Officer

ICPAK M/No:24324

Moses Nzioki Wambua

Sign: 

Chairman of the Board

Mbooni Water and Sanitation Company Ltd.

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

	Notes	Revaluation reserve	Retained earnings	Capital Fund	Total
			RESTATED		RESTATED
As at July 1, 2021	54		(3,201,158.91)		(3,201,158.91)
Profit for the year			605,587.00		605,587.00
Over stated profit for the year	54		(120.00)		(120.00)
As at June 30, 2022			(2,595,691.91)		(2,595,691.91)
As at July 1, 2022			(2,595,691.91)		(2,595,691.91)
Profit for the year			(1,183,237.00)		(1,183,237.00)
At June 30, 2023			(3,778,928.91)		(3,778,928.91)

Mbooni Water and Sanitation Company Ltd.
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17. Statement of Cash Flows for The Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		1,804,940.00	2,678,340.00
Grants Income			2,616,976.00
Customer Deposits		68,000.00	67,000.00
Total Receipts		1,872,940.00	5,362,316.00
Payments			
Staff Costs		1,164,469.00	2,858,463.00
General And Operation Expenses		597,974.00	1,897,985.00
Board Expenses		55,000.00	
Maintenance Expenses		276,787.00	356,041.00
Total Payments		2,094,230.00	5,112,489.00
Net Cash From/ (Used In) Operating Activities	47	(221,290.00)	249,827.00
Cash Flows from Investing Activities			
Cash Flows from Financing Activities			
Increase/(Decrease) In Cash and Cash Equivalents		(221,290.00)	249,827.00
Cash And Cash Equivalents At Beginning Of Year		280,585.00	30,758.00
Cash And Cash Equivalents At End of the Year	32	59,295.00	280,585.00

Mbooni Water and Sanitation Company Ltd.
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18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual Cumulative to date	Performance difference	% of utilization
	A	b	c=(a+b)	D	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs		Kshs
Revenue						
Operating Revenue	3,291,265		3,291,265	2,629,669	661,596	80%
Grants	2,429,412		2,429,412	1,443,600	985,812	59%
Total Revenue	5,720,677		5,720,677	4,073,269	1,647,408	
Expenses						
Staff Costs	2,160,560		2,160,560	3,627,393	(1,466,833)	168%
Board Expenses	60,000		60,000	55,000	5,000	92%
General and operations Expenses	3,099,920		3,099,920	1,297,326	1,802,594	42%
Maintenance	300,197		300,197	276,787	23,410	92%
Capital expenditure	100,000	-	100,000	-	-	
Total expenditure	5,720,677		5,720,677	5,256,506	(369,065)	
Profit or Loss		-		(1,183,237)		

Mbooni Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Notes:

- A) Operating revenue: The company did not achieve the budgeted operating revenue from sale of water due to low water supply
- B) Grants: The company estimated to receive a County Grant amounting to Ksh 2.4M but did not received only Kshs 1.4M salaries paid in kind by the county government.
- C) General and operations Expenses: The company recorded favourable difference in general and operations expenses due to decrease in operations during the year.

19. Notes to the Financial Statements

1. General Information

Mbooni Water and Sanitation Co.Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is Provision of water services to its customers. 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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

Mbooni Water and Sanitation Company Ltd.
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Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Company does not issue insurance contracts. / The company is an insurance company. The adoption of IFRS 17 has had the following effects:</i></p> <p>Xxx Xxx (Amend as appropriate)</p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>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.</p> <p><i>(entity to state the effect of amendments on their financial statements for the year ended.)</i></p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their	The amendments are effective for annual periods beginning on

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

Title	Description	Effective Date
Accounting Policies (issued in February 2021)	<p>material accounting policy information rather than their significant accounting policies.</p> <p><i>(Entity to state whether this has brought about changes to the accounting policies disclosed)</i></p>	or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

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 2023.*

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

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

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

iii. Early adoption of standards

(The entity) did not early – adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Summary of Accounting Policies

b) In-kind contributions

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

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.

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

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

e) Intangible assets

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

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

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

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

g) 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 from 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.

Summary of Accounting Policies

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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

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.

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

Notes to the financial statements (continued)
Summary of Accounting Policies

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. These are measured at fair value through profit or loss (FVTPL).

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

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For the year ended June 30 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

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 profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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.

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Notes to the financial statements (continued)
Summary of Accounting Policies

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.

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 amortized cost using the effective interest rate method. Amortized 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 capitalized as part of the cost of the project.

s) Trade and other payables

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

Summary of Accounting Policies

t) Retirement benefit obligations

The company 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 12% of an employee's monthly salary. 6% of the said contribution is deducted from the employee's salary while the other 6% is paid by the employer per month.

u) Provision for staff leave pay

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

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 recognized in profit or loss.

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Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for the FY 2022-2023 was approved by the Board of Directors on September 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. 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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

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, 20xx.

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.

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

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Notes to the financial statements (continues)

6. Operating Revenue

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Water sales	2,629,669.00	3,100,980.00
Total	2,629,669.00	3,100,980.00

7. Grants Income

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Operational grants from Government entities- Seconded staff	1,443,600.00	2,616,976.00
Total	1,443,600.00	2,616,976.00

8. Other Income

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Fine and penalties	-	-
Miscellaneous income	-	-
Total	-	-

9. Finance Income

There was no finance income during the year

10. Other Gains and Losses

There was no Other Gains and Losses during the year

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Notes to the financial statements (continues)

11. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	2,180,293.00	2,515,263.00
Casual workers' Wages	3,500.00	258,550.00
Medical insurance schemes	-	15,050.00
Employer's contributions to social security schemes	-	69,600.00
Salaries paid by the county for seconded staff	1,443,600.00	-
Total	3,627,393.00	2,858,463.00
The average number of employees during the year	18.00	23.00

12. General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chemicals	66,424.00	126,075.00
Electricity	55,678.00	652,028.00
Fuel, oil, lubricants, and gases	64,775.00	115,625.00
Office supplies	23,130.00	80,570.00
Telecommunication	23,115.00	24,880.00
Uniform and protective clothing	-	17,600.00
Postage and courier	9,780.00	-
Domestic Traveling and subsistence	227,633.00	369,690.00
Bank Charges	9,219.00	7,995.00
Audit fees-current provision	464,000.00	-
Licensing	8,986.00	405,217.00
Levies – WASREB/WRA	221,476.00	-
Hospitality Expenses	23,470.00	50,055.00
Stakeholders' expenses	5,000.00	-
Other operating/general expenses	94,640.00	48,250.00
Total	1,297,326.00	1,897,985.00

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Notes to the financial statements (continues)

13. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman Honoraria	-	-
Sitting allowances	55,000.00	-
Total Board Expenses	55,000.00	-

14. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Plant and Equipment	140,000.00	-
Buildings	-	1,950.00
Infrastructural networks	79,737.00	295,661.00
Motor vehicles/bikes	44,550.00	30,680.00
Water Meter maintenance costs	12,500.00	
Office equipment	-	27,750.00
Total Maintenance Expenses	276,787.00	356,041.00

15. Depreciation and Amortization Expenses

There were no depreciation expenses during the year

16. Finance costs

There were no finance costs during the year

17. Income Tax Expense/(Credit)

Current Tax

	2022-2023	2021-2022
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	181,676.10
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	181,676.10
Current Tax payable	-	181,676.10

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Notes to the financial statements (continues)

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2022-2023	2021-2022
	Kshs	Kshs
Profit before taxation	(1,183,237.00)	605,587.00
Tax at the applicable tax rate of 30%	-	181,676.10
Current tax	-	162,830.10
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Total	(354,971.10)	162,830.10

18. Earnings Per Share

There were no earnings per share during the year.

19. Dividend Per Share

There were no proposed dividends per share during the year.

20. Property, Plant and Equipment

The entity has no assets to recognize in its books until a revaluation of assets is done

21. Intangible Assets

The entity did not have any intangible assets to recognize in the books

22. Investment Property

The entity did not have any investment property to recognize in the books

23. Right-of-use assets

There were no right-of-use assets to disclose

24. Biological Assets

There were no biological assets to disclose

25. Fixed Interest Investments (Bonds)

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There were no fixed interest investments (bonds) to disclose

Notes to the financial statements (continues)

26. Quoted Investments

There were no quoted investments to disclose

27. Unquoted Investments

There were no unquoted investments to disclose

28. Inventories

There were no inventories to disclose

29. Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
Trade receivables (note (29a))	3,002,700.67	2,698,413.00
Deposits and prepayments	-	67,000.00
Gross trade and other receivables	3,002,700.67	2,765,413.00
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	3,002,700.67	2,765,413.00

29. (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	3,002,700.67	2,765,413.00
Provision for doubtful receivables	-	-
Net trade receivables	3,002,700.67	2,765,413.00

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

Less than 30 days	155,060.00	-
Between 30 and 60 days	180,660.00	-
Between 61 and 360 days	490,145.09	354,503.91
Over 360 days	2,176,835.58	2,410,909.09
Total	3,002,700.67	2,765,413.00

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Notes to the financial statements (continues)

30. Tax Recoverable

There was no Tax Recoverable disclosure during the year

31. Short Term Deposits

There were no short term deposits during the year

32. Bank and Cash Balances

	<i>2022-2023</i>	<i>2021-2022</i>
	Kshs	Kshs
Cash at bank	59,295.00	301,682.09
Cash in hand	-	6,425.00
Mobile money account	-	-
	59,295.00	308,107.09

Detailed analysis of the cash and cash equivalents

		<i>2022-2023</i>	<i>2021-2022</i>
Financial institution	Account number	KShs	KShs
a) Current account			
KCB Bank Account	1135156115	59,295.00	301,682.09
Sub- total		59,295.00	301,682.09
b) Others(specify)			
Cash in hand			6,425.00
Sub- total			6,425.00
Grand total		59,295.00	308,107.09

33. Ordinary Share Capital

The company has no issued ordinary share capital

34. Revaluation Reserve

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

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Notes to the financial statements (continues)

35. Fair Value Adjustment Reserve

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

36. Retained Earnings

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

37. Deferred Tax Liability

	2022-2023	2021-2022
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	(181,234.00)
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%.

38. Borrowings

There were no borrowings during the year

39. Lease Liability

There were no leases during the year

40. Provisions

The company provided provision for bad debts at 100% for debts above 360 days.

41. Retirement Benefit Obligations

There were no retirement benefit obligations to disclose.

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Notes to the financial statements (continues)

42. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Current Payables		
Trade payables	147,428.00	147,428.00
Accrued Expenses	51,676.00	633,309.00
Revenue received in advance	3,850.00	29,350.00
Employee payables	3,745,058.00	3,018,688.00
Other payables	2,648,912.58	1,840,437.00
Total Trade and Other Payables	6,596,924.58	5,669,212.00

42B. Aging Analysis for Trade and other Payables

Name of Creditor	Under one year	1-2 years	2-3 years	Over 3 years	2022-2023	2021-2022
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs
Jarmerc Distributors	-			64,728	64,728	64,728
Tanathi	-			1,179,671	1,179,671	1,179,671
Joyland Villa	-			34,700	34,700	34,700
Staff salaries	992,938	726,370	-	2,025,750	3,745,058	3,018,688
Audit fee	232,000	116,000	116,000	232,000	696,000	232,000
Posta	9,450	9,450	9,450	18,900	47,250	37,800
Whispers holdings	-			48,000	48,000	48,000
WRA	-	-	146,486	-	146,486	127,486
KPLC	4,426	-	-	-	4,426	22,849
Wasreb	92,876	124,039	33,653	266,187	516,755	424,279
Waspa	-	55,00.00	55,000		110,000	-
NSSF						273,660
Customer deposits						176,000
Revenue received in advance	-	3,850		-	3,850	29,350
Total	1,331,690	979,709	360,589	3,869,936	6,596,925	5,669,212

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Notes to the financial statements (continues)

43. Customer Deposits

	2022- 2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening balance	176,000.00	109,000.00
Deposits received during the year	68,000.00	67,000.00
Less: refunds during the year	-	-
Closing balance	-	-
Total	244,000.00	176,000.00

Aging Analysis for Refundable Deposits and Prepayments

	2022-2023	% of the total	2021-2022	% of the total
Under one year	68,000.00	28%	176000	100%
1-2 years				
2-3 years	176,000.00	72%		
Over 3 years				
Total	244,000.00		176000	

44. Deferred Income

There was no deferred income during the year

45. Dividends Payable

There was no dividend payable during the year

46. Taxation

	2022- 2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening balance	-	-
Deposits received during the year	-	-
Less: refunds during the year	-	-
Closing balance	-	-
Total	-	-

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Notes to the financial statements (continues)

47. Notes to The Statement of Cash Flows

	2022-2023	2021-2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(1,183,237.00)	605,587.00
Operating profit/(loss) before working capital changes	(1,183,237.00)	605,587.00
Working capital changes:		
(Increase)/decrease in trade and other receivables	(209,765.58)	(355,640.00)
Increase/(decrease) in trade and other payables	1,171,712.58	(758,799.00)
Cash generated from/ (used in) operation	(221,290.00)	(508,852.00)
(b) Analysis of cash and cash equivalents		
Cash at bank	59,295.00	301,682.09
Cash in hand		6,425.00
Balance at end of the year	59,295.00	308,107.09

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Notes to the financial statements (continues)

48. Related Party Disclosures

County Government of Makueni

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

Other related parties include:

- The County Department in charge of Water
- County Government of Makueni
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- WASPA

49. Capital Commitments

There were no capital commitments during the year

50. Contingent Assets and Liabilities

There were no contingent assets or liabilities to disclose during the year

51. 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.

52. Incorporation

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

53. Events After the Reporting Period

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

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Notes to the financial statements (continues)

54. Restatement of prior year financial statements

In reference to IAS 1 (40A) presentation of financial statements, the management has restated the followings items that have material effect on the audited financial statements for the year 2021-2022.

Component	Comparative Figure 2022/2023	Audited financial Statements Figure 2021/2022 (Kshs)	Variance
	(Kshs.)	(Kshs.)	(Kshs.)
Retained earnings	(2,595,691.91)	-	2,595,691.91
Total equity and liabilities	3,073,520.09	5,669,212.00	2,595,691.91
Statement of changes in Equity as at 30/6/2022	(2,595,691.91)	-	2,595,691.91

(a). Retained earnings

The management states that there was an error in preparation of the prior year financial statements were the retained earnings were omitted from the balance sheet. The retained earnings represent amounts accumulated from the inception of the company. The schedule of the retained earnings over the years is presented below;

Schedule of retained earnings:

YEAR	ITEM	AMOUNT
		KSHS
2015-2016	PROFIT/LOSS FOR THE YEAR	(97,629.61)
2016-2017	PROFIT/LOSS FOR THE YEAR	(160,227.00)
2017-2018	PROFIT/LOSS FOR THE YEAR	(1,077,967.30)
2018-2019	PROFIT/LOSS FOR THE YEAR	(1,502,425.00)
2019-2020	PROFIT/LOSS FOR THE YEAR	(344,064.00)
2020-2021	PROFIT/LOSS FOR THE YEAR	(18,846.00)
2021-2022	PROFIT/LOSS FOR THE YEAR	605,587.00
2021-2022	OVER STATED PROFIT FOR THE YEAR	(120.00)
	Balance C/F	(2,595,691.91)

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Notes to the financial statements (continues)

(b) Total equity and liabilities

The following is the reconciliation of the total equity and liability from the prior year audited amounts

Component	Kshs
Audited amount as at 30 June 2022	5,669,212.00
Adjustments	
Retained earnings	(2,595,691.91)
Total	3,073,520.09

(c). Statement of changes in Equity as at 30/6/2022

The statement of changes in equity was omitted in the audited financial statements reported in 30 June 2022. Management wishes to amend the error which is material.

(d) Profit/(Loss) Before Taxation reported in the audited financial statements of 30 June 2022.

Management clarifies that there was an addition error resulting to a variance of Ksh 120 in the calculation of the income before tax in the audited financial statements for the year ended 30 June 2022. The error has been rectified by deducting the amount from the balance carried forward for retained earnings during the year.

Apart from the items disclosed above, management did not change the overall presentation of the comparative financial statements.

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Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Qualified Opinion				
1	Inaccuracies in the financial statements	The financial statement were amended accordingly.	Resolved	Resolved
2	Unsupported Cash and Bank Balance	The Management will ensure the cheque numbers, and or payment voucher numbers are indicated in the cashbook against payments.	Resolved	Resolved
3	Unsupported Customer Deposits Balance	Schedule of Customers owed deposits of Kshs.176, 000 is available and will be provided going forward.	Resolved	Resolved
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.				
1	Long Outstanding	The Company lacks enough financial Resources to settle the outstanding debts and at times to meet current financial obligations.	Not resolved	Will be resolved once

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Payables.	The Management will settle financial obligations promptly as they fall due if resources allow. We wish to void interest and penalties, but we lack money to settle the debts in time.		funds become available
2	Late submission of the Financial Statements	Going forward the management will observe given timelines in submission of financial statements. To achieve this, the management has been allocated a Senior Accountant by the County to capacity build the Accounts Clerk and assist in preparation of Financial statements and other financial records	Resolved	Resolved
3	Presentation and Disclosure issues in the Financial Statements.	The reporting framework was Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS). The Company did not have a substantive Board of Directors, so there was no Chairman to sign the financial statements. The Accounts Clerk does not have an ICPAK number. Statement of Directors responsibility was omitted because the Company did not have a substantive Board of Directors. management has been allocated a Senior Accountant by the County to capacity build the Accounts Clerk and assist in preparation of Financial statements and other financial records	Being resolved by County Government of Makueni	Resolved
4	Unclear ownership of the Company.	The shares held by the two shareholders as trustees for the County Council of Makueni have not yet been transferred to the County Government of Makueni. The management is in touch with the County Government of Makueni to ensure that ownership of the Company is defined by transferring shares of the Company from County Council of Makueni to County Government of Makueni. This issue of ownership of the Company has been discussed by the newly appointed board members and they have undertaken to address the issue and ensure that	Being resolved	30 th June 2024

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Referen ce No. on the external audit Report	Issue / Observ ations from Audito r	Management comments	Status: (Resolved / Not Resolved)	Timefra me: (Put a date when you expect the issue to be resolved)
		ownership of the Company is transferred from Defunct Makueni County Council to Government of Makueni. The Management has written to the County Department of Water and Sanitation requesting fast tracking of the process of replacing the two shareholders.		
5	Failure to File Annual Returns with the Registrar of Companies.	The Company has not been filing because of Company ownership issue. It will start filing the returns once the change of Directors at the Registrar of Companies is completed. We will also seek legal advice on the same. The shares held by the two shareholders as trustees for the County Council of Makueni have not yet been transferred to the County Government of Makueni, including replacement of the shareholders by CECM Water and Sanitation, CECM Finance, planning, Budget and Revenue and Head of the County Treasury and County Secretary to facilitate filing of annual returns.	Being resolved	30 th June 2024
6	Irregular Hire of Casuals	The casual wages schedules were included in the staff payrolls.	Resolved	Resolved
REPORT ON EFFECTIVENESS ON INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE.				
1	Lack of a Functional Board.	Interim Board Members were appointed, then their term in Office expired in February 2023. But there is a partial BOD comprising one of the Directors nominated to remain in office as recruitment of the Directors take place, the CECM Water and Sanitation, Finance, Planning, Budget and revenue and in charge of County Treasury. Recruitment of BOD is in progress and the shortlisted candidates for the BOD position have been interviewed.	Being resolved	30/09/2023
2	Lack of Internal Audit Function and an	Currently the Company lacks enough resources to hire an internal Auditor and establish an internal audit function. But it's ready to do so if it has the ability to do so.	Being resolved by the County Government of Makueni	31/12/2023-30 th June

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Referen ce No. on the external audit Report	Issue / Observ ations from Audito r	Management comments	Status: (Resolved / Not Resolved)	Timefra me: (Put a date when you expect the issue to be resolved)
	Audit Committ ee.	There was an audit committee functions after appointment of interim Board of Directors but it did not dispense its mandate. So the management and the Company did not benefit from the assurance and advisory services well as oversight from the Committee. Once Board of Directors are appointed, it will establish an audit committee and among other BOD committees.		2024
3	Lack of Informati on and Commu nication Technolo gy Controls	The Company lacks enough resources to employ an IT Officer and purchase IT equipment to enable it to establish an IT department. The BOD is required to develop and approve an IT policy, Recovery plan and continuity plan as well as establishment of IT strategic Committee	The County Government is looking into the issue and process of resolving is in progress.	30/06/2024
4	Lack of A Risk Manage ment Framewo rk and Financial Manual.	The company is running on county Risk of Makueni. Management Policy and Disaster Recovery of the County Government	Being resolved by Board of Directors/Management	30/06/2024
5	Weaknes s in Manage ment of Trade and Other Receivab les.	The Company's trade and other receivables records are manual. Generating data and reports as required is difficult and there is need to automate the processes so that generating reports is easy and accurate. Currently, the management is sourcing for quotations to know the cost of automating its services. If not able to meet the cost, the Company will source for funds to implement the activity. Meanwhile the Management has written to the County Department of Water and Sanitation requesting to be assisted in installing in automating its services.	Installation of digital billing software is in progress Customer outstanding aging analyses as well as outstanding customer schedules have been manually	30/09/2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Our billings are manual and as well as the customer registers. We are also short on staff. Manual preparation of Individual debtor's accounts will take long to complete since everything is manual. There is need for automation of the services.</p> <p>Our billings are manual as well as the customer registers. Calculating aging analysis of trade receivables manually is difficult. There is need for automation of the services so that most of these reports can easily be generated.</p> <p>As mentioned above, the management is sourcing for quotations to know the cost of automating its services. If not able to meet the cost, the Company will source for funds to implement the activity.</p> <p>The Company does not have debt collection system of long outstanding debts and is seeking to establish one.</p> <p>Debts are collected through revenue collection exercises by the staff and there are no legal frame works on debt collection and enforcement.</p>	generated for year under audit.	
6	Failure to Comply with Non-Revenue Water Threshold.	<p>Measures put to reduce non-revenue water:-</p> <ul style="list-style-type: none"> -Carrying out prompt repairs to bursts and leakages. -Carrying out line patrolling regularly -Carrying out meter servicing regularly. -Ensure that there are no illegal connections or reconnections. -Need for treatment works to eradicate constant meter blockages, though we lack resources to construct the treatment works. -Put right meter sizes to reduce commercial losses. 	Being resolved	2023/2024-2025/2026

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Referen ce No. on the external audit Report	Issue / Observ ations from Audito r	Management comments	Status: (Resolved / Not Resolved)	Timefra me: (Put a date when you expect the issue to be resolved)
		The non-revenue Water levels have been coming down gradually and the current difference of 8% will continue to be narrowed. Reduction response is positive. Non revenue water reduction strategy has been developed.		
7		<p>7. Weakness in the Human Resource Operations. Management Response:- I. Personnel Files Management Response Personnel files for the Company's staff have been established and are being updated from the existing general personnel files.</p> <p>II. Payroll Management Response Particulars:- Name of employee, ID NO. P/No, amount being paid, statutory deductions, advances were included in payroll. There was no money to settle the arrears.</p> <p>III. Lack of Policy Documents Management Response The BOD will guide in development of human resource policy Manual and approval which will guide on terms and conditions of service and salary grading structure. It will also guide on development and Approved of staff establishment.</p> <p>IV. Staff Aged over 60 Years Management Response The Company has started retiring the staffs who are over 60 yrs. of age. However the main challenge is lack of HR function to guide on this matter as well as guidance from the BOD on this delicate and contagious issue. The Company also lacks finances to settle the staff dues as they retire. The BOD needs to address this issue and give a decision.</p>	Being resolved	30 th June 2024


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>V. Lack of key staff Management Response The Company does not have enough resources to employ the key staff namely Finance Manager, an Accountant, procurement Officer, Human Resource officer, IT Officer, Internal auditor.</p> <p>VI. Segregation of duties. Management Response Lack of segregation of duties was occasioned by lack of key staff in key departments and the need to carry out the processes. The management will seek assistance in establishing the structures to segregate the duties.</p> <p>VII. Staff in Acting Capacity for Over Six (6) Months. Management Response The staffs were seconded to the Company by the County to revive the as the Company lacked resources to employ key staff. There has been no BOD to develop and approve Human Resource Manual to address the HR issues Still the Company has no capacity to employ the key staff. NB/ The Management through the Board of Directors will seek to have an approved human resource management policy and other instruments as basis for expenditure on staff costs to address the above issues. The Company lacks Human resource function and a Human resource Manager versed with Human resource issues. The company lacks resources to employ one, and it will once resources become available. However, the Management has written to the County through Department of water and Sanitation to be assisted with an HR officer on need basis to assist in putting the HR records proper.</p>		

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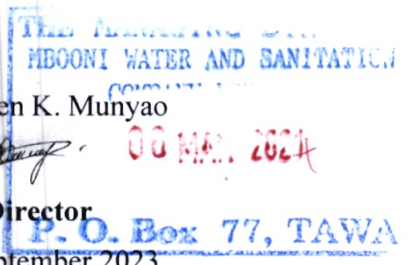
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Name Stephen K. Munyao

Signature  00 MAR. 2024

Managing Director

Date 28th September 2023



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Appendices:

Appendix II: Projects Implemented by the Company

The company did not implement any capital projects during the year

Appendix III- Inter-Entity Confirmation Letter

The company did not receive disbursements from other government entity during the year that warranted confirmation.

Appendix IV: Reporting of Climate Relevant Expenditures

The company did not utilise funds in climate change related interventions during the year

Appendix V: Reporting Disaster Management Expenditure

The company did not incur expenditures related to disaster management during the year

Appendix VI: Recording of Transfers from Other Government Entities

The company did not record funds through bank transfers from other government entity during the year.