

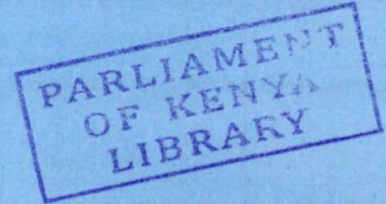
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**MBOONI WATER AND SANITATION COMPANY
LIMITED**

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

PAPERS LAID	
DATE	19/2/2025
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MBOONI WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024

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

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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>

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. The ownership and shareholding of the Company has been transferred to the Government of Makueni County and the Company issued with CR12.

The Chief Officer Water, Sanitation and Sanitation and Chief Officer Finance were appointed directors of Mbonwasco. The two (2) appointed County directors together with the three (3) recruited Board members are responsible for the general policy and strategic direction of the Company. The company main office is located at Mbumbuni Water office. The proposed office in Tawa is yet to be constructed.

MBONWASCO has three (3) water sources and a bore hole 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 10.2% of the total population in its service area. MBONWASCO has a total of 1,454 registered connections, of which 888 (61%) are active and 566 (39%) are in-active.

The company supplies water to parts of Tulimani ward, Kisau/Kiteta ward and Kako/Waia ward with a combined population of 14,720

Population:-

Total Population- 64,123,

Populationserved-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 1,454 registered connections, of which 888 are active and 566 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
- 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.

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- **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. Stephen Kyalo Kiilu - Chairman - Appointed on 11/10 /2023,
2. Stephen K. Munyao -Ag. Managing Director - Appointed on 20/09/ 2019
-Left on 12/08/ 2024
3. Peninah Muendo Nduku -Independent Director - Appointed on 11/10/ 2023.
4. Patrick Kioko Ndunga-Independent Director -Appointed on 11/10/ 2023
5. John Nguni -Institutional Director -Appointed on 29/02 /2024
6. Eng. David M. Makau -Institutional Director -Appointed on 29/02/ 2024
7. Nicodemus M. Titus- Managing Director - Appointed on 12/08/ 2024

Company Secretary

The Company has no Company Secretary
P.O. Box 123-MAKUENI

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

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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 30084GPO 00100
Nairobi, Kenya

Principal Legal Advisers



The County Attorney
Makueni County Government
P.O. Box 78-90300
Makueni, Kenya

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3. The Board of Directors

Directors	Details
<p><i>Stephen Kyalo Kiilu</i></p>  <p><i>Independent Director</i></p>	<p>Age:46years Project manager with AEALtd.</p> <p>Academic Qualification: Diploma in Civil Engineering and BSC. Civil Engineering with a M.sc. Construction Engineering and Management.</p> <p>Key Professional Qualification: Registered with Engineers Board of Kenya.</p>
<p><i>Peninah Muendo Nduku</i></p> 	<p>Age:61 years Retired Senior Head teacher</p> <p>Academic Qualification: Diploma in Special needs in education. Diploma in administration and management in education.</p>
<p><i>Patrick K. Ndunga</i></p> 	<p>Age:36 years</p> <p>Academic Qualification: BA Education, MBA. Strategic Management.</p> <p>Key Professional Qualification: CPA(K)</p>
<p><i>Eng. David M. Makau:- Institutional Director</i></p> 	<p>Age:1985</p> <p>Academic Qualification: BSC. Environmental and Bio systems Engineering-UON.</p> <p>Key Professional Qualification: Registered with ERB</p> <p>Work Experience: Over13 Years in Water sector.</p>
<p><i>John Nguni:- Institutional Director</i></p>	<p>Age:1967</p> <p>Academic Qualification: B.Com Accounting, MBA Finance.</p> <p>Key Professional Qualification: PA(K)</p>

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	<p>Work Experience: 33 Years in experience working in different organizations.</p>
<p><i>Stephen K. Munyao:- Ag. Managing Director</i></p> 	<p>Age 56 years old. Holds a certificate in water supply technology.</p>

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. On-revenue water has reduced from 43 to 38.7.

Due to increase in population, silting of earth dam reservoirs, unreliable electricity at Kinze, and also the good rain providing customers with alternative water sources, 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 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, limited external support.
2. Lack of policies.
3. Unskilled personnel, old staff.
4. Supply of raw untreated water
5. Inadequate water supply.
6. Dilapidated infrastructure.
7. High NRW levels
8. Minimal focus on sanitation.
9. Limited water storage facilities.
10. Services not automated.
11. Inadequate office infrastructure.
12. Unreliable electricity
14. Vandalism.
13. High abstraction cost by WRA at 5%

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4. Improvement Plan/Way Forward

- The County is investing in the Company Kshs. 50M this Financial year 2023/2024 to rehabilitate Mulima w/supply. Phase one (1) has commenced with construction of treatment works being in progress.
- Through investment by the County and World Vision in Athi-Kalawa-W/Project, the Company will increase coverage, customer and revenue base once the project is handed over to the Company for operation and maintenance. The Company has set out a satellite Office. Other projects implemented by the County and World Vision in Kalawa are planned to be handed over to Mbonwasco for operation and maintenance.
- The Company will minimise water kiosks and enhance household connections through last mile connectivity and automation of water kiosks. USAID STAWI will automate two (2) water kiosks in Mbumbuni and construct GFBC-Kithongo pipeline, while FLLoCA will construct No.8 pipeline.
- Complete process of recruiting a Managing Director for the Company.
- Improvement of Water access and service delivery within MBONWASCOs area of operation by doing the following through in-king grant of Ksh.13,827,060.by USAID STAWI
 - (a). Pump rehabilitation at Kinze-Purchase of a new three phase motor
 - (b). Distribution pipeline rehabilitation-Construction of GFBC-Kithongo pipeline.
 - (c).Rehabilitation of steel tank and automation of water kiosks all at Mbumbuni market.
 - (d). Water meters and DMA separation pipelines- In Mbumbuni, Mulima and Kinze water schemes.
 - (e).Dosing equipment and supplies-In Mbumbuni, Mulima and Kinze water schemes.
 - (f). Preparation of Company policies and tariff validation.
- Improvement of Water access and service delivery within MBONWASCOs area of operation by doing the following through Ksh.11,000,000.by FLLoCA funded by K-WASH: Solar installation at Kinze, Distribution pipeline construction to NO.8, Construction of water kiosk at No.8 and Installation of plastic tanks at No.8.
- The Company through support from the County Government has done proposals to K-WASH, proposing to rehabilitate Mbumbuni, Mulima and Mukundi water supplies. The process has progressed and we are at stage of finalising Disbursement Linked Indicators (DLIs).

Name: Stephen K. Kiilu

Signature 

Chairman of the Board

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 2024. This is the 8th 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 challenge unreliable grid power for Kinze pumping station. This lead to decrease in water production, billings and revenue collection.
2. Our revenue collection dropped from Kshs. Kshs.2,379,916.00 to Kshs. 1,513,108.00 for the years 222/2023.and 2023/2024 respectively giving a drop of 36.40% compared to 13.3% last financial year
3. Our billings also dropped by 0.63% from Kshs.2,629,669.00 to Kshs.2,613,160.00 for the years 2022/2023 and 2023/2024 respectively.
4. During this period, the Company was able to successfully apply for an In-king grant of Kshs.13,827.060.00 from USAID STAWI for Improvement of Water access and service delivery within MBONWASCOs area of operation.
5. Opened a deposit account with Co-operative bank and an operations account with KCB
6. Registered a pay bill No. with KCB for payment of revenue.
7. Digitised billing.

Other challenges faced by the company.

1. Lack of funds, limited external support.
2. Lack of policies.
3. Un skilled personnel, old staff.
4. Supply of raw untreated water
5. Inadequate water supply.
6. Dilapidated infrastructure.
7. High NRW levels
8. Minimal focus on sanitation.
9. Limited water storage facilities.
10. Services not automated.
11. Inadequate office infrastructure.
12. Unreliable electricity
13. High abstraction cost by WRA at 5%
14. Vandalism.

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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 16, which are ranked as good, acceptable or not acceptable by the regulator.

WASREB							
Key Performance Indicators		Good	Acceptable	Not Acceptable	Impact Report 15	Impact Report 16	
1	Water coverage	>90%	80 – 90%	< 80%	ncd	3%	
2	Drinking Water Quality	>95%	90 – 95%	< 90%	55%	24%	
3	Hours of Supply	Population < 100,000	17 – 24	12 – 16	< 12	9%	6%
4	Personnel Expenditure as % of O&M costs	Small WSPs	< 40%	40 – 45%	> 45%	91%	69%
5	O&M Cost Recovery		≥ 150%	100-149%	≤ 99%	ncd	50%
6	Revenue Collection Efficiency		> 95%	85-95%	<85%	48%	86%
7	Non-Revenue Water		< 20%	20– 25%	>22%	33%	33%
8	Staff Productivity - Staff per 1,000 connections	Small WSPs	< 9	9 – 14	> 14	28%	21%
9	Metering ratio		100%	95 - 99%	< 95%	94%	100%

Water coverage: MBONWASCO's water coverage though at was at 10.23%, it was reported as 3%. 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 was reported at 25%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 6 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 Personnel expenditure as percentage of O&M costs is above the recommended standards but has improved from 91% to 69%.

O&M cost coverage : O&M coverage costs are at low levels of 50%. 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 a level of 86%.

Staff productivity: - Staff productivity standards is above the recommended standards and has improved from 28 staff per 1,000 connections to 21 staff per 1,000 connections.

Non-Revenue Water: - NRW is at 33%.

Metering Ratio: -Metering ration stands 100%.

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 and rehabilitation of other water infrastructure.
- 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.
- Board of Directors have been recruited to enhance governance issues and give policy directions.
- Deposit and operations accounts opened.
- Registered a pay bill No.
- Billing digitised.

The successes registered by the Company were as follows: -

- i. The Company has been able to pay for electricity throughout the financial year without a disconnection.
- ii. All the staff have been put under the NHIF scheme,
- iii. Filing KRA returns monthly for the staff,

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- iv. Successful application for USAID-STAWI of Kshs,13,827,060.00.
- v. Got FLLoCA funding of Kshs. 11,000.00
- vi. Being able to carry out major breakdowns prompt.
- vii. Board of Directors have been recruited.
- viii. Process of recruitment of a Managing Director has been initiated and is in progress.
- ix. Construction of treatment works by the County at Mulima is in progress- funding by the County.
- x. Induction/training of the board members and the core management team was conducted.
- xi. Opened a deposit account with Co-operative bank and an operations account with KCB.
- xii. Registered a pay bill No. with KCB for payment of revenue.
- xiii. Digitised billing.

WAY Forward

The following are the needy areas for support/Collaboration

Item	Current Status	Proposed intervention	current intervention/progress
Automation of key services-ERP system.	Services carried out manually	Automate the key services	No funds to implement.
Solarisation of Kinze pumping station to reduce cost of production.	Use of grid power and diesel	Install solar energy at Kinze pumping station	K-WASH through FLLoCA funding installation of green energy
Training of BOD and CMT	Training has been done	Training has been done	Training has been done
Water treatment	<ul style="list-style-type: none"> • Inadequate treatment at Kinze. Connections to benefit-373No. • No treatment at Mulima and Mukundi Cons to benefit-224No. 	Construction of Composite Filtration units(CFUs) 2No total capacity 50m3/h at Kinze treatment works. Construction of Mulima and Mukundi treatment works.	<ul style="list-style-type: none"> • Lack of funds to undertake construction of treatment works at Kinze and Mukundi. • Construction of treatment works at Mulima is in progress.

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			Purchase and installation of water treatment equipment-FRO dosers, solution tanks and water testing equipment as well as chemicals.	Purchase and installation of water treatment equipment-FRO dosers, solution tanks and water testing equipment as well as chemicals has been funded by USAID STAWI.
	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	Construction of a 63mm pipe line from GFBC Mbumbuni to Kithongo has been funded by USAID STAWI.
	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	Lack of funds to undertake the works
	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. 	<ul style="list-style-type: none"> • Lack of funds to undertake the works
	Mbumbuni Market Steel tank	The Steel tank is corroded, leaking from sides and the bottom and holding a quarter of its original capacity of 86m3. <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. 	<ul style="list-style-type: none"> • Erection of a new 100m3 steel tank on a 10m steel tower with all connections has been funded by USAID STAWI.
	Ngaa masonry tank and pipeline	<ul style="list-style-type: none"> • Current tank is a steel retaining wall with a water 	<ul style="list-style-type: none"> • Construction of 100m3 ground masonry tank 	<ul style="list-style-type: none"> • Lack of funds to undertake the works

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		<p>proof lining which is tone and holding 20m³ of water of its original capacity of 50m³.</p> <ul style="list-style-type: none"> • 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 1Km pipeline from the constructed tank 	
	NRW-Annex 1	<p>NRW above recommended market bench marks at 38.7%</p>	<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. 	<ul style="list-style-type: none"> • Installation of production, zonal smart meters, as well as smart consumer meters has been funded by USAID STAWI.
	Tariffs.	Use of unapproved Tariffs	Development of Tariffs.	Development of the tariff is in progress.
	Transformer at Kinze pumping station.	<p>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.</p> <p>Cons to benefit- 373No.</p>	<p>Installation of a transformer at Kinze pumping station site.</p> <p>KPLC quotation is at Kshs.1.5m</p>	<p>The management has written to the County and the area MP requesting for assistance to install the transformer and yet no positive response.</p>
	Three phase motor and pump.	<p>Stand by motor faulty and the current one in use rewound twice</p> <p>Cons to benefit- 373No.</p>	<p>Installation of a new Three phase motor 37kw and multi stage centrifugal pump equivalent to the</p>	<p>Installation of a new Three phase motor 37kw and multi stage centrifugal pump equivalent to the one on site has been</p>

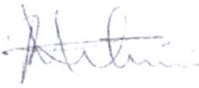
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			one on site	funded by USAID STAWI
	Polices and plans-Annex2	<ul style="list-style-type: none"> • Strategic plan expired in 2023 • Other policies and plans not formulated. 	<p>Review of strategic plan.</p> <p>Formulation and approval of polies and plans.</p>	<p>Preparation of strategic plan and bushiness plan has been funded by USAID STAWI..</p> <p>Formulation and approval of polies and plans in progress.</p>

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 it services to un-served residents in all the schemes.

Name: Nicodemus M. Titus

Signature



Managing Director

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7.Statement of Performance against Predetermined Objectives

- *Mbonwasco* has 5 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023- FY 2024. 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 2023/2024				
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 of pipeline rehabilitated/replaced, No. of kiosks constructed and rehabilitated, No. of water meters purchased and installed, No of minor repairs/replacements done.	Construction of GFBC-Kithongo pipeline,	Construction of GFBC-Kithongo pipeline has been funded by USAID STAWI
			Construction of No.8 pipeline.	Construction of GFBC-Kithongo pipeline has been funded by USAID STAWI
			Rehabilitation of 2No. Water Kiosks.	Rehabilitation of the water kiosks has been funded by USAID STAWI
			Metering-Purchase of Consumer, section and production meters,	Purchase and installation of consumer, zonal and production meters has been funded by USAID STAWI
			Repair of Steel Storage Tank (rehabilitation works),	Installation of steel tank has been funded by USAID STAWI
			Others minor repair works- Replacement of ball valves at Ngetha and tank Zero.	Replacement of ball valves has been funded by USAID STAWI
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	Purchase and installation of section and consumer meters has been funded by USAID STAWI.
		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	-On time bill generation -meter readers provided with tools

Mbooni Water and sanitation Company Ltd
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	-Procure and install proper billing system -Implement an effective and efficient billing system	-Implemented billing system -Percentage of bills without errors	Billing digitised
	No. of illegal connections prosecuted	Eliminate illegal connections	Lack of legal framework to prosecute illegal connections
	% of meters serviced	Frequent meter servicing	60% Meters have been regularly serviced
Improve operational efficiency	NRW reduction	NRW reduced	NRW at 38.7%
	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	-Installation of solar panels to be undertaken by FLLoCA.
Maintain water quality standards at 95% and above by 2020	Equip and rationalize testing laboratory	Construction and equipping of water testing laboratory.	Laboratory at Mulima to be constructed.
	Percentage of water quality	Percentage of water quality	Water quality at 25% 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	Purchase Enterprise Resources Planning (ERP) software	No funds to purchase and install the EPR system and computers.
	-No. of computers purchased	-Purchase 5 office computers	
To increase customer satisfacti	Level awareness and understanding of customer charter	Develop customer service charter	Draft customer charter in place To be presented to the Board for review.

Mbooni Water and sanitation Company Ltd
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	on level from 20% to 85% by 2021			
3.Financial sustainability	Improve O & M cost coverage from 32 % to 70% by 2022/23I ncrease water revenues by 100%	Increase water revenues by 100%	Increase water revenues by 100%	Collection at 86%
		% reduced cost of O&M	Cost management measures Investment in green energy audit Feasibility study both technical and financial	O & M cost at .50% from 70% indicating an improvement
	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	Improve on collection efficiency	Efficiency at 86%
		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	

**Mbooni Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024**

		Implemented integrated financial management system- procurement, stores	Implement an integrated financial management system	No funds to purchase and install integrated financial management system
		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	Implement new organization structure as set in the strategic plan.	No funds to fully implement the organization structure as outlined in the strategic plan.
		Level of compliance and enforcement of HR policy	1. Develop and implement HR function in the organization, 2. Develop HR policy manual	1. No funds to implement the function. 2 Draft HR policy manual done.
		Staff appraised	Manage staff performance	Staff put under performance appraisal
		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	Board members recruited.
	Build board capacity for good corporate governance by 2023	Board members capacity build.	Strengthen capacity of the board on corporate governance	Board members inducted/trained.

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8. Corporate Governance Statement

During the year under review, the board held two (2) full board meetings and one (1) special board meeting. 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 were appointed in observance of the water Act 2012, Makueni County water Act 2020, and Wasreb guidelines. The independent board of directors were appointed on 11th October 2023 and inaugurated on 11th October 2023 while the institutional Directors were appointed on 20th February 2024. The roles of the directors are mainly policy formulation, guidance and oversight. The board members as well as core management team have been inducted/trained on corporate governance to prepare it for both board and individual performance.

The board's remuneration is mainly sitting allowance for all the board members for each meeting attended, transport for independent Directors 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 governance as stipulated in the WASREB corporate governance guidelines for the water sector 2018. The interim board assisted in acquiring an interim three (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
Annual Report and Financial Statements for the year ended June 30, 2024

9. Management Discussion and Analysis

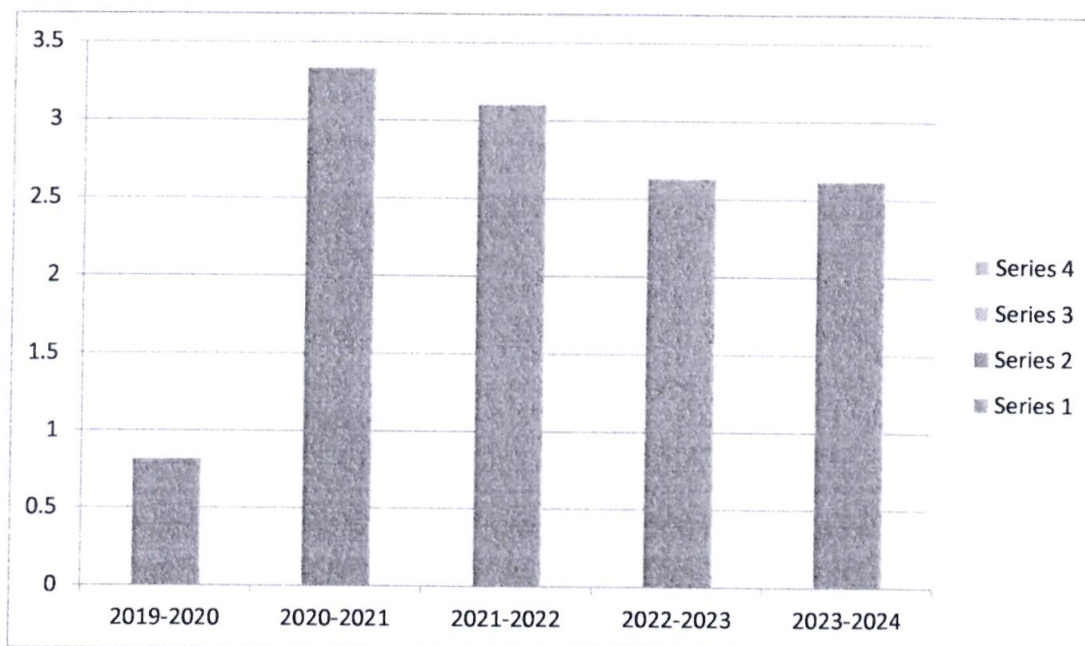
1. Revenue/Income

During the Financial year 2023-2024, the Company registered a slight decrease in its revenue by Kshs.0.017M representing a 0.65% decrease in growth compared to financial year 2022-2023.

The company increased its registered connections by 31 during the year.

The assets of the Company did not grow during the year.

Year	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Amount(Kshs 'm')	0.817	3.331	3.100	2.63	2.613



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 In arrears.

NHIF: - NHIF In arrears.

PAYEE: - Payee returns filed on monthly basis.

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

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

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

Mbooni Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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. Formulation of these policies is in progress.

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.
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 	<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

Mbooni Water and sanitation Company Ltd
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	<p>supply facilities</p> <ul style="list-style-type: none"> • Rise of illegal connections hence increasing NRW 	<p>network is and act on cases of vandalism and illegal connections</p>
<p>Ideology amongst communities that water is expensive</p>	<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 	<p>Create awareness on tariff development process to enhance understanding of elements costed in final price given for services provided and the importance.</p>
<p>Increased power rates due to inflation</p>	<p>Increase of production costs</p>	<p>Introduce alternative sources of power for pumping water (solar power and/ or wind power)</p>
<p>Community perception on project ownership</p>	<ul style="list-style-type: none"> • Limited support of development project • Vandalism of infrastructure and increase in NRW 	<p>Sensitization and engagement of communities at every stage of the proposed project from planning to implementation to instill a sense of ownership amongst communities</p>
<p>Lack of compliance to the relevant legislation (Water Act 2016, Occupational Safety and Health Act, 2010, WASREB regulations)</p>	<p>Risk of lawsuits and dissolution 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)
<p>Lack of legal procedures to prosecute water defaulters</p>	<p>Loss of revenue</p>	<p>Coordinate with Makueni County government to provide legal officer to guide on actions to be taken.</p>
<p>Climate change and environmental degradation</p>	<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 	<p>MBONWASCO to be proactive in initiating and collaborating with relevant agencies in environmental conservation activities</p>
<p>Drying of water sources</p>	<ul style="list-style-type: none"> • Decline in efficient water and sanitation service provision • Loss of clientele base • Increase in losses 	<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

Mbooni Water and sanitation Company Ltd
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	<ul style="list-style-type: none"> Loss of confidence by clientele in MBONWASCO 	<p>environmental protection initiatives to recharge water sources through afforestation and reforestation.</p> <ul style="list-style-type: none"> 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 8,920,664.08**

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 good rains experienced during the period availed alternative water sources to our customers, reducing water consumption by the customers. This has affected our operations

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

- i) Affected consumers were not willing 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. However:-

(a).The County Government of Makueni has invested in Mulima water supply to desilt the dam reservoir, construct treatment works and rehabilitate the water infrastructure. Currently construction of the treatment works is in the progress.

(b). The National Government and the World Bank through K-WASH programme are at advanced stages of funding the Company to rehabilitate its infrastructure and do pipeline extensions.

(c).Hand over to Mbonwasco Athi Kalawa water project and other projects developed by World Vision and the County. Some of the projects are complete while others are under construction.

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, installation of meters, automation of water kiosks, 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 treatment works (In progress).
- iv) Hand over to Mbonwasco Athi Kalawa water project and other projects developed by World Vision and the County. Some of the projects are complete while others are under construction.

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. NRW status was reviewed and a marginal decline in NRW was noted in current period, 38.7% is still quite high and efforts have been putto reduce this to an acceptable level of 25%. This is by installation of customer, zonal and master meters as well as repair of tanks, prompt response to bursts and leakages, servicing of meters. 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.

Mbooni Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

We have not been able to have Human resource, Audit, Procurement functions. Key services are not automated. Most policies are not formulated. But there were positive developments as follows:-

- xiv. We have been able to pay for electricity throughout the financial year without a disconnection.
- xv. All the staff have been put under the NHIF scheme,
- xvi. Filing KRA returns monthly for the staff,
- xvii. Successful application for USAID-STAWI of Kshs,13,827,060.00.
- xxviii. Got FLLoCA funding of Kshs. 11,000.00
- xix. Being able to carry out major breakdowns prompt.
- xx. Board of Directors have been recruited.
- xxi. Process of recruitment of a Managing Director has been initiated and is in progress.
- xxii. Construction of treatment works by the County at Mulima is in progress- funding by the County.
- xxiii. Induction/training of the board members and the core management team was conducted.
- xxiv. Opened a deposit account with Co-operative bank and an operations account with KCB.
- xxv. Registered a pay bill No. with KCB for payment of revenue.
- xxvi. Digitised billing.

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.

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, 2024

11. Report of the Directors

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

i. Principal activities

The principal activities of the Company are:-

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

ii. Results

The results of the company for the quarter ended June 30, 2024 are set out on page 1.

iii. Dividends

The company has not declared dividends for the year ended June 30, 2024.

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

Name: Stephen K. Kiilu

Sign: 

Nicodemus M. Titus

Sign: 

Chairperson of the Board

Date: 27th September 2024

Secretary to the Board

Date: Date: 27th September 2024

Mbooni Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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 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, 2024. This responsibility includes:

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

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

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

Mbooni Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

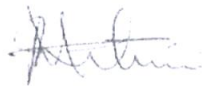
The company financial statements were approved by the Board on 27th September 2024 and signed on its behalf by:

Name: Stephen K. Kiilu



Chairperson of the Board

Name: Nicodemus M. Titus



Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

Enhancing Accountability

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of 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, 2024 and the statement of profit or loss & 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 effects of the matter 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, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivables

The statement of financial position and as disclosed in Note 13 to the financial statements reflect trade and other receivables balance of Kshs.4,118,889. Included in the balance are receivables totalling Kshs.1,235,667 which have been outstanding for over 360 days. In addition, the Company did not have a debt management policy. Management did not demonstrate measures put in place to recover the long outstanding debts.

In the circumstances, the recoverability of trade and other receivables balance of Kshs.1,235,667 could not be confirmed.

The audit was conducted in accordance with 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.5,022,676 and Kshs.4,222,240 respectively resulting to under-funding of Kshs.800,436 or approximately 16 % of the budget.

The under-funding may affect the planned activities and may impact negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Management has not resolved the issues contrary to Section 149(2)(I) of the Public Finance Management Act, 2012 which requires the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

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

Basis for Conclusion

1.0. Lack of Water Tariff

The statement of profit or loss and other comprehensive income reflects revenue from sale of water of Kshs.2,613,160. However, the tariff in use is undated and is not gazetted by the Water Services Regulatory Board (WASREB). This is contrary to Paragraph 4.0 (11) of the WASREB Tariff Guidelines of June 2023 which states that the process for Tariff adjustments is initiated by the Water Service Provider (WSP) and upon approval by the Board of Directors, WASREB shall gazette the tariff with a 30 days' notice for implementation by the WSP and this process shall take a maximum of six (6) months from the receipt of a complete application. Although Management explained that the undated and ungazetted tariff had been in use since 2012, the same has not been updated.

In the circumstances, Management was in breach of the Water Service Regulatory Board (WASREB) Tariff Guidelines.

2.0. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflect staff cost of Kshs.3,249,328 which represents approximately 77% of the total revenue of Kshs.4,222,240. This is contrary to Regulation 25 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Government expenditure on wages and benefits to Public Officers to be limited to 35% of the total revenue.

In the circumstances, Management was in breach of the law

3.0. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue from water sales of Kshs.2,613,160. Review of records revealed that the Company produced a total of 56,036 cubic meters (m³) of water. However, only 30,873 cubic meters of water were billed to customers. The balance of 25,163 cubic meters or approximately 45% of the total production with a sale value of Kshs.2,129,853 represents Non-Revenue Water (NRW). This is above the allowable loss of 25% provided under the Water Services Regulatory Board Guidelines.

In the circumstances, Management was in breach of the law and non-water revenue negatively impacts on the Company's service delivery, profitability and long -term sustainability.

4.0. Failure to Observe Ethnicity and People with Disabilities Distribution Rule

Review of personnel records indicated that as at 30 June 2024, the Company had a total of thirteen (13) employees who were all from the same ethnic community. Further, none of the employees was a person living with disability. This is contrary to Section 65(1) (e) of the County Governments Act, which states that in selecting candidates for appointment, the County Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant community in the County. In addition, Paragraph 2.2.2(i) of Public Service Commission Diversity Policy, 2016 states that every public service institution shall adopt measures aimed at facilitating the realization of the constitutional principles of ensuring an inclusive public service and that at least five per cent (5%) of appointments in the public sector shall comprise persons with disabilities.

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

5.0. Lack of a Strategic Plan

Review of records and operations revealed that, the Company did not have an approved strategic plan. This is contrary to Section 149 (2) (g) of the Public Finance Management Act, 2012, which states that in carrying out a responsibility imposed by subsection (1), an Accounting Officer shall, in respect of the entity concerned, prepare a strategic plan for the entity in conformity with the medium- term fiscal framework financial objectives of the County Government.

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

6.0. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 17 to the financial statements reflect trade and other payables balance of Kshs.8,480,181. Included in the balance is Kshs.5,664,499 or approximately 67% of the payables which has been outstanding for more than three (3) years. This is contrary to Section 94 (1) (a) (i) of the Public Finance Management Act, 2012 which states that a state organ or public entity is in serious material breach or persistent material breach if the state organ or public entity fails to make any payments as and when due. In addition, Management did not provide for audit review measures put in place to settle the liabilities.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit and Audit Committee

The Company does not have an internal audit department to guide and evaluate its internal controls contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms, and processes in the Company and to give reasonable assurance through the Audit Committee on the state of risk management, control and governance within the organization, and review the effectiveness of the financial and non-financial performance management systems of the Company. Further, the Company has not established an Audit Committee as stipulated in Regulation 167 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Company's governance structure was not properly constituted and therefore it was not possible to confirm whether checks and balances were functioning as intended.

2. Lack of Risk Management Policy and Strategy

The Company Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how Management manages risk exposures. This is in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of the risk management measures put in place could not be confirmed.

3. Lack of Approved Information Technology Security Policy

Review of the Company's information technology systems revealed that the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the company to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, the effectiveness of IT internal controls could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

1. 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;
2. The information given in the Directors' report on page xxxii is consistent with the financial statements; and
3. The auditable part of the Directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

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

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Mbooni Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	2,613,160	2,629,669
Grant Income	7	1,609,080	1,443,600
Total Revenue		4,222,240	4,073,269
Expenses			
Staff Costs	8	3,249,328	3,627,393
General and Operations expenses	9	1,296,812	1,297,326
Board Expenses	10	256,000	55,000
Maintenance Expenses	11	140,735	276,787
Total Expenses		4,942,874	5,256,506
Profit/(Loss) Before Taxation		(720,634)	(1,183,237)
Income Tax Expense/(Credit)	12	-	-
Profit/(Loss) After Taxation		(720,634)	(1,183,237)

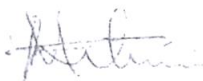
The notes set out on pages 7 to 34 form an integral part of these Financial Statements

Nicodemus M. Titus

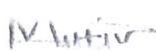
Daniel Mutua.

Stephen k. Kiilu

Sign:



Sign:



Sign



Managing Director

For: Finance Manager

Chairman of the Board

ICPAK M/No:24324

Mbooni Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2024

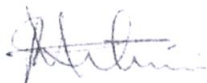
15. Statement of Financial Position as at 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Current assets			
Trade and receivable	13	4,118,889	3,002,701
Bank and cash balances	14	136,729	59,295
Total Assets		4,255,618	3,061,996
Capital and Reserves			
Retained earnings	15	(4,499,563)	(3,778,929)
Total Capital and Reserves		(4,499,563)	(3,778,929)
Non-current liabilities			
Customer Deposits	16	275,000	244,000
Total non-current liabilities		275,000	244,000
Current liabilities			
Trade and other payables	17	8,480,181	6,596,925
Total current liabilities		8,480,181	6,596,925
Total liabilities		8,755,181	6,840,925
Total equity and liabilities		4,255,618	3,061,996

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

Nicodemus M. Titus

Sign:



Daniel Mutua.

Sign:



Stephen k. Kiilu

Sign



Managing Director

For: Finance Manager
ICPAK M/No:24324

Chairman of the Board

Mbooni Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Retained earnings	Total
As at July 1, 2021	(3,201,159)	(3,201,159)
Profit for the year	605,587	605,587
Over stated profit for the year	(120)	
As at June 30, 2022	(2,595,692)	(2,595,692)
As at July 1, 2022	(2,595,692)	(2,595,692)
Profit for the year	(1,183,237)	(1,183,237)
At June 30, 2023	(3,778,929)	(3,778,929)
As at July 1, 2023	(3,778,929)	(3,778,929)
Profit for the period	(720,634)	(720,634)
At June 30, 2024	(4,499,563)	(4,499,563)

Mbooni Water and Sanitation Company Ltd.

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

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

	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		1,516,227	1,804,940
Customer Deposits		42,106	68,000
Total Receipts		1,558,333	1,872,940
Payments			
Staff Costs		680,055	1,164,469
General And Operation Expenses		617,109	597,974
Board Expenses		43,000	55,000
Maintenance Expenses		140,735	276,787
Total Payments		1,480,899	2,094,230
Net Cash From/ (Used In) Operating Activities	28	77,434	(221,290)
Cash Flows from Investing Activities			
Purchase Of Property, Plant and Equipment (PPE)			
Net Cash From/ (Used In) Investing Activities			
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital			
Net Cash From/(Used In) Financing Activities			
Increase/(Decrease) In Cash and Cash Equivalents		77,434	(221,290)
Cash And Cash Equivalents at Beginning of Year		59,295	280,585
Effects Of Foreign Exchanges Rate Fluctuations			
Cash And Cash Equivalents at End of the period	21	136,729	59,295

Notes:

1. The income reported in the Statement of Cashflow is different from the income reported in the Statement of Profit & Loss and Other Comprehensive Income because the cashflow is based on actual cash received during the year while the Profit & Loss statement is based on income generated during the year whether received or accumulated as trade receivables.
2. The expenses reported in the Statement of Cashflow is different from the expenses reported in the Statement of Profit & Loss and Other Comprehensive Income because the cashflow is based on actual cash paid during the year while the Profit & Loss statement is based accrual accounting whether paid during the year or accumulated as trade payables.

Mbooni Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2024

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

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	3,322,676		3,322,676	2,613,160	(709,516)	79%
Grants Income	1,700,000		1,700,000	1,609,080	(90,920)	95%
Total Revenue	5,022,676	-	5,022,676	4,222,240	(800,436)	
	-		-			
Expenses						
Staff Costs	3,454,600		3,454,600	3,249,328	205,272	94%
Board Expenses	360,000		360,000	256,000	104,000	71%
General and operations Expenses	1,010,120		1,010,120	1,296,812	(286,692)	128%
Maintenance Expenses	197,956		197,956	140,735	57,221	71%
Total expenditure	5,022,676		5,022,676	4,942,874	79,802	
Profit or Loss	-	-	-	(720,634)	(880,239)	
Capital Expenditure	-		-	-		-

Mbooni Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes:

- A) Adjustments: There were no budget adjustments during the year
- B) Operating revenue: The company did not achieve the budgeted operating revenue from sale of water due to low water supply during the year.
- C) Board Expenses: The company did not have the necessary committees in place as planned therefore saving on board expenses
- D) General and Operations Expenses: The company exceed the budget by 28% due to high cost of electricity
- E) Maintenance Expenses: The company under utilised the funds for maintenance due to lower cost of maintaining the water infrastructure.

19. Notes to the Financial Statements

1. General Information

Mbooni Water and Sanitation Co. Limited 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, 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.
Annual Report and Financial Statements for the year ended June 30, 2024

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)	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. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled	The amendments, applicable to annual periods beginning on or after 1st January	The amendments are effective for annual

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

Title	Description	Effective Date
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	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.	periods beginning on or after January 1, 2023.

Mbooni Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024
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.

Mbooni Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

(Based on the Directors assessment of the potential impact of application of the above standards, they do not expect that there will be a significant impact on the company's financial statements).

iii. Early adoption of standards

Mbooni Water and Sanitation Company Limited did not early – adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

The principal 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.

Mbooni Water and sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

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.

The Company did not disclose any assets in the financial statements due to lack of ownership of the of the assets like buildings which are owned by the National Government. Other assets were donated to company by the County Government, Ministry of Water and Tana Athi. The management has requested the County Government to assist in valuation of the assets inherited by the company.

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.

Mbooni Water and sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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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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 is 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 2023-2024 was approved by the Board of Directors on September 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. 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 18 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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Notes to the financial statements (continued)

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>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
Water sales	2,613,160	2,629,669
Total	2,613,160	2,629,669

7. Grants Income

	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
In Kind contribution/donations from other agencies	1,609,080	1,443,600
Total	1,609,080	1,443,600

8. Staff Costs

Description	<i>2023-2024</i>	<i>2022-2023</i>
	Kshs	Kshs
Gross Salary and Allowances	1,568,520	2,180,293
Casual workers' Wages	6,800	3,500
Housing levy	23,528	-
Employer's contributions to NSSF	31,200	-
NITA Levy	10,200	
Salaries for seconded employees	1,609,080	1,443,600
Total	3,249,328	3,627,393
The average number of employees during the year	20	18

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Notes to the financial statements (continues)

9. General and Operations Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Charges	17,529	9,219
Chemicals	26,960	66,424
Domestic Traveling and subsistence	334,205	227,633
Electricity	109,604	55,678
Fuel, oil, lubricants, and gases	27,210	64,775
Hospitality Expenses	54,185	23,470
Licensing		8,986
Printing and Stationary	58,659	
Other operating/general expenses	11,720	117,770
Postage and courier	6,129	9,780
Telecommunication	22,436	23,115
Audit fees-current provision	464,000	464,000
Levies – WASREB/WRA	103,324	221,476
Financial Reporting facilitation	44,800	
Registrar of company's penalties	16,050	
Stakeholders' expenses		5,000
Total	1,296,812	1,297,326

10. Board Expenses

Description	2023-2024	2022-2023
	KShs	KShs
Sitting allowances	256,000	55,000
Total Board Expenses	256,000	55,000

11. Maintenance Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Budlings		731
Infrastructural networks	87,880	79,737
Plant and Equipment	37,705	140,000
Motor vehicles/bikes	13,885	44,550
Water Meter maintenance costs		12,500
Office equipment	1,265	
Total Maintenance Expenses	140,735	277,518

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Notes to the financial statements (continues)

12. Income Tax Expense/(Credit)

Current Tax

	2023-2024	2022-2023
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current Tax payable		

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

	2023-2024	2022-2023
	Kshs	Kshs
Profit before taxation	(720,634)	(1,183,237)
Tax at the applicable tax rate of 30%	-	-
Total	-	-

13. Trade and Other Receivables

	2023-2024	2022-2023
	KShs	KShs
Trade receivables (note (13a))	4,118,889	3,002,701
Gross trade and other receivables	4,118,889	3,002,701
Provision for bad and doubtful receivable		
Net trade and other receivables	4,118,889	3,002,701

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Notes to the financial statements (continues)

13. (a) Trade Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	4,118,889	3,002,701
Provision for doubtful receivables		-
Net trade receivables	4,118,889	3,002,701
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	411,889	155,060
Between 30 and 60 days	823,778	180,660
Between 61 and 360 days	1,647,556	490,145
Over 360 days	1,235,667	2,176,836
Total	4,118,889	3,002,701

14. Bank and Cash Balances

	2023-2024	2022-2023
	Kshs	Kshs
Cash at bank	136,729	59,295
Total	136,729	59,295

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2023-2024	2022-2023
		KShs	KShs
a) Current account			
KCB Bank	1135156115	94,623	59,295
CO-OP Bank (Customer Deposit)	01100461017001	42,106	
Grand total		136,729	59,295

15. Retained Earnings

The retained earnings represent amounts available for distribution to finance the *company's* business activities.

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Notes to the financial statements (continues)

16. Refundable Deposits and Prepayments

	2023-2024	2022-2023
	Kshs	Kshs
Customer deposits	275,000	244,000
Total	275,000	244,000

16 (b) Aging Analysis for Refundable Deposits and Prepayments

	2023-2024	% of the total	2022-2023	% of the total
Under one year	31,000	11%	244,000	100%
1-2 years	244,000	89%		
2-3 years				
Over 3 years				
Total	275,000		244,000	

17. Trade and Other Payables

	2023-2024	2022-2023
	Kshs	Kshs
Operation's Payables		
Trade payables	165,727	147,428
Accrued Expenses	-	51,676
Revenue received in advance		3,850
Employee payables	4,720,438	3,745,058
Other payables	3,594,016	2,648,913
Total Trade and Other Payables	8,480,181	6,596,925

17(a). Aging Analysis for Trade and other Payables

	2023-2024	% of the total	2022-2023
Under one year	1,887,683	22%	1,692,290
1-2 years	232,000	3%	3,850
2-3 years	696,000	8%	232,000
Over 3 years	5,664,499	67%	4,668,785
Total	8,480,181		6,596,925

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Notes to the financial statements (continues)

18. Notes to The Statement of Cash Flows

	2023-2024	2022-2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(720,634)	(1,183,237)
Depreciation		
Operating profit/(loss) before working capital changes	(720,634)	(1,183,237)
Working capital changes:		
(Increase)/decrease in trade and other receivables	(1,116,188)	(209,766)
Increase/(decrease) in trade and other payables	2,158,257	1,171,713
Customer deposits used in operations	(244,000)	
Cash generated from/ (used in) operation	77,434	(221,290)
(b) Analysis of cash and cash equivalents		
Cash at bank	136,729	59,295
Mobile money account		
Balance at end of the year	136,729	59,295

Notes to the financial statements (continues)

19. 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 guarantee 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

20. 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.

21. Incorporation

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

22. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Qualified Opinion				
1	Non-disclosure of Property, Plant and Equipment	The assets in custody of the Company belong to the National and the County Governments respectively and are not valued. Action: -The management has written to the County Government of Makueni, requesting to be assisted with valuation of the assets held by the Company. This will ensure that the statement of financial position does not reflect nil balance for property, plant and equipment and as disclosed in Note 20 to the financial statements.	Being resolved	June 2025
2	Unconfirmed Cash and Cash Equivalents	<ul style="list-style-type: none"> Going forward the noted omissions will be corrected. The cash book will be closed and reviewed. Bank reconciliations were separately provided and the management was advised that they were not in the prescribed format. The cashbooks and the bank reconciliations have been amended accordingly, and in future they will be done as advised by the Auditors. Bank confirmation certificate of balance to support the cash and cash equivalents balance of Kshs.59,295 was provided for review 	Resolved	Resolved
3	Long Outstanding Trade and Receivables.	The company lacked approved policy on bad and doubtful debts and that is why there was no provision for bad and doubtful debts. The company is preparing a policy on bad and thoughtful debts. Once the policy is complete and approved by the board, provision for bad and thoughtful debts will be provided.	Being resolved	Being resolved

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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)
		The management has given payment demand notices to the consumers demanding payment of outstanding debts.		
4	Unsupported customer deposits.	<p>i. Schedule of customers deposits is available:-</p> <p>ii. The management borrowed funds from the customer deposits to fund operations but plans have been put in place to gradually refund the funds to the customer deposit account which was opened on 16th December 2023. After opening the account, all customer deposits are being banked in this account. Registered customers-31No. Further, Kshs.42,106 has been deposited in the account.</p> <p>Cash in account- Kshs.42,106.00, deposit for 31 customers Kshs.31,000.00 Deposit recovery:- Kshs.11,106.00 has been refunded and customer deposit refund to the customer deposit account will continue.</p>	Being resolved	June 2026
5	Long outstanding Trade and Other Payables.	The management has not settled the long outstanding trade payables because due to lack of adequate resources to settle them. The board in their next meeting will discuss and come up with strategies on how the long outstanding payables will be settled.	Not resolved	30 th June 2025
Emphasis of Matter.				
1	Budgetary Control and Performance	The short fall of Kshs.1,647,408 or 20% of the budget was due to failure to realize enough revenue to finance the Company's operations. The management has put strategies in place to increase the revenue collection.	Being resolved	30 th June 2025
2	Material uncertainty to going Concern.	<p>The Company has embarked on improvement of its financial position. This will be achieved through the following:-</p> <p>i. Reducing Non Revenue Water(NRW):-</p> <p>Reduction of non-revenue water will increase</p>	Being resolved	September 2025

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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>billings, increasing revenue earned. The management has put the following measures in place to reduce non-revenue water (NRW) gradually to the recommended levels. (i).The management has raised a proposal to USAID-STAWI APS 2023-001, requesting to be assisted with the following among others which will help reduce NRW. -Automation of 2No. water kiosks. -Installation of customer, zonal and master meters -Rehabilitation of steel tank at Mbumbuni market. The proposal has been approved for funding and is only awaiting water quality analysis results for the water treatment component of the proposal. (ii).Development of non-revenue water reduction strategy. (iii).Formation of non-revenue team to address issues of bursts and leakages through constant patrols, ensure no illegal water use, ensure blocked and un-functional customer meters are serviced or replaced, ensure no over flows.</p> <p>USAID-STAWI APS 2023-001 Proposal (In kind)- Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN) 3-GFBC-Kithongo pipeline construction. (SN). 4 -Rehabilitation of steel tank and automation of 2No. water kiosks. (SN).5-Water meters and separation of pipelines. (SN) 9-Development of strategic plan and business plan (2023-2028).</p> <p>i. Tapping un-tapped potential customers:- This is proposed to be achieved through projects proposed to be handed over to the Company for operation and maintenance once complete. Some of these are:- 1. Hand over to Mbonwasco Athi-Kalawa</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)
		<p>water project under construction once complete</p> <p>2. Handover of Mukelenzu bore hole- Complete.</p> <p>3. Handover of Kalawa borehole- Complete.</p> <p>4. Hand over to Mbonwasco of viable project implemented by the County,</p> <p>If the above activities are realized, the customer base will increase; increasing revenue and the Company will become more profitable and sustainable.</p> <p>ii. Improvement of infrastructure and other systems:-</p> <p>(a).Make Water sources more reliable:-Mulima and Mukundi usually water sources dries out during dry seasons. Action:- The Government of Makueni ha funded desilting of Mulima earth dam, construction of treatment plant and rehabilitation of the water infrastructure and contractor is on site doing the treatment plant in phase 1. Mukundi needs a dam reservoir and the management has done a proposal to K-Wash Programme. (Appendix 8(a)-K-WASH proposal) (Appendix 8(b)- K-WASH ,engagement communications)</p> <p>(b).Manage siltation:-Mulima and Kinze dams are silted, Mulima being critical. Action:-County Government of Makueni has funded desilting of Mulima earth dam.</p> <p>(c).Improve power supply at Mbumbuni water supply Kinze pumping station:- Action:-The management has written to the area Member of Parliament, requesting support for a transformer installation at Kinze pumping station. Awaiting response. FLLoCA has funded Kinze for installation of solar energy. (Appendix 9- Request letter to MP Mbooni</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)
		<p>Constituency-Hon Kivasu).</p> <p>(d).Increase Water storage:- Action:-USAID-STAWI has funded Mbonwasco to replace corroded Mbumbuni market steel tank 86m3 capacity (Appendix6- USAID-STAWI APS 2023-001Proposal (In kind)-Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN). 4 -Rehabilitation of steel tank and automation of 2No. water kiosks.</p> <p>(e).Rehabilitate dilapidated water infrastructure:- Action:-Rehabilitation of GFBC-Kithongo-Kivani pipeline, Mbumbuni-Usalala Pipeline, Kisau Girls-Ngoluni pipeline, Ngoluni-Kyangondu pipeline and old Kinze-No8 pipeline. Progress: GFBC-Kithongo pipeline will be rehabilitated by UASAI-STAWI, Kinze-No.8 pipeline will be rehabilitated by FLLoCA as well as solarization at Kinze pumping station, reinstating the lost customers, saving on power cost, hence increasing revenue. (Appendix6- USAID-STAWI APS 2023-001Proposal (In kind)-Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN) 3-GFBC-Kithongo pipeline construction.</p> <p>(f).Getting cost recovery Tariffs:- Action:- The Company is progressing in development of a tariff to submit to WASREB for review. (Appendix 10-tariff application extract</p> <p>(g).Timely revenue collection-failure to carry meter reading and billing on time:-</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)
		<p>Action:- Meter reading and billing has been enhanced.</p> <p>(h).Unaddressed water treatment challenges:- Action:-USAID-STAWI has funded installation of water treatment equipment for Mulima water supply, Mbumbuni Water supply and Mukundi water supply as well as supply of chemicals and testing kits.</p> <p>Government of Makueni is currently constructing water treatment plant at Mulima intake. (Appendix6- USAID-STAWI APS 2023-001Proposal (In kind)-Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN) 6-Water treatment:- Dosing equipment and supplies..</p>		
Other Matter				
	Unresolved Prior Year Matters	Some of the prior year issues have been resolved and the remaining ones are being resolved.	Being resolved	30 th June 2025
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.				
Basis for Conclusion				
1	Non-Revenue Water	<p>The management has put the following measures in place to reduce non-revenue water (NRW) gradually to the recommended levels.</p> <p>(i). The management has raised a proposal to USAID-STAWI APS 2023-001, requesting to be assisted with the following among others which will help reduce NRW.</p> <ul style="list-style-type: none"> -Rehabilitations of Mbumbuni corroded and leaking elevated steel tank. -Rehabilitation GFBC-Kithongo pipeline. -Automation of 2No. water kiosks. -Installation of customer, zonal and master meters <p>The proposal has been approved for funding and is only awaiting water quality analysis results for the</p>	Being resolved	September 2025

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		<p>water treatment component of the proposal.</p> <p>(ii). Development of non-revenue water reduction strategy.</p> <p>(iii). Formation of non-revenue team to address issues of bursts and leakages through constant patrols, ensure no illegal water use, ensure blocked and un-functional customer meters are serviced or replaced, ensure no over flows.</p> <p>(vi). The dilapidated pipeline networks have constant bursts and leakages.</p> <p>In the financial year 2023/2024, the County Government of Makueni has funded Mulima water project to rehabilitate Mulima dam, construction of treatment works and rehabilitation of the dilapidated pipeline networks all in phases.</p> <p>(v). Also the Company has done a proposal to World Bank Group-KWASH Programme requesting to be assisted in rehabilitation of the water sources, rehabilitation of the dilapidated pipeline infrastructure.</p> <p>Installation of high efficiency water meters.</p> <p>(Appendix6- USAID-STAWI APS 2023-001Proposal (In kind)-Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025</p> <p>Items in summary sheet:-</p> <p>(SN) 3-GFBC-Kithongo pipeline construction.</p> <p>(SN). 4 -Rehabilitation of steel tank and automation of 2No. water kiosks.</p> <p>(SN).5-Water meters and separation of pipelines.</p>		
2	Non-compliance with Wage Bill Threshold	<p>The trend will be addressed by increasing revenue base so that when the staff costs are catered for, revenue remains for service delivery.</p> <p>This will be achieved through increasing number of customers, increasing revenue base and profitability through the following:-</p> <p>(a).Tapping un-tapped potential customers through projects proposed to be handed over to the Company for operation and maintenance once</p>	Being resolved	30 th June 2025

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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>complete. Some of these are:-</p> <ol style="list-style-type: none"> 1. Athi-Kalawa water project under construction 2. Mukelenzu bore hole-Complete. 3. Kalawa borehole- Complete. 4. Hand over to Mbonwasco of viable project implemented by the County, 5. Rehabilitation of Mulima water project by the County which is currently under way-Construction of treatment works and pipeline rehabilitation. <p>(b). Rehabilitation of GFBC-Kithongo-Kivani pipeline, Mbumbuni-Usalala Pipeline, Kisau Girls-Ngoluni pipeline, Ngoluni-Kyangondu pipeline and old Kinze-No8 pipeline. Progress: GFBC-Kithongo pipeline will be rehabilitated by UASAI-STAWI, Kinze-No.8 pipeline will be rehabilitated by FLLoCA as well as solarization at Kinze pumping station, reinstating the lost customers, saving on power cost, hence increasing revenue.</p> <p>(c). Rehabilitation of Mulima dam and supply as well as construction of treatment works by the County will ensure reliable safe water to the customers. This will ensure active customers not adequately supplied will be supplied with water. (d)Reduction of NRW will improve on revenue earned and collected.</p> <p>If the above activities are realized, the customer base will increase; increasing revenue and the Company will become more profitable. (Appendix6- USAID-STAWI APS 2023-001Proposal (In kind)-Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN) 3-GFBC-Kithongo pipeline construction. (SN). 4 -Rehabilitation of steel tank and</p>		

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		automation of 2No. water kiosks. (SN).5-Water meters and separation of pipelines. (SN) 9-Development of strategic plan and business plan (2023-2028).		
3	Lack of Annual Procurement Plan and Pre-qualification	The Company was not in a position to employ a professional procurement officer but has requested the County Government to second a procurement officer to the company through a letter attached as Appendix 2. (Appendix 2- Letter requesting procurement Officer)	Being resolved.	30 th June 2025
4	Non-compliance with Law of Ethnicity	The Company will endeavor to ensure compliance with the National Cohesion and Integration Act, 2008 in its future recruitments and succession plans.	To be resolved gradually	To be resolved gradually
5	Retention of Staff beyond stipulated Retirement Age	The Company has retired all staffs that have attained or surpassed stipulated retirement age.	Resolved	Resolved
6	Staff in Acting Capacity for Over Six (6) Months	The staffs were seconded to the Company by the County because the Company lacked resources to employ the key staff. However, the Company has embarked on recruiting its own staff to replace the ones on acting capacity. Progress- A substantive Managing Director has been recruited. The management and the Board will resolve the issue of the remaining acting staff. (Appendix 13- Appointment letter for Managing Director).	Resolved	Resolved

REPORT ON EFFECTIVENESS ON INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE.

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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)
Basis for Conclusion				
1	Lack of a Board of Directors	Board of Directors for the Company where recruited and inducted by April 2024. Also, the Board formed the following committees: Technical, Finance and administration, and audit committee.	Resolved	Resolved
2	Weakness in Water Management operations	<p>Unreliable Water sources:-Mulima and Mukundi usually water sources dries out during dry seasons. Action: - The Government of Makueni has funded desilting of Mulima earth dam, construction of treatment plant and rehabilitation of the water infrastructure and contractor is on site doing the treatment plant in phase 1. Mukundi needs a dam reservoir and the management has done a proposal to K-Wash Programmer requesting construction of a water reservoir. Siltation:-Mulima and Kinze dams are silted, Mulima being critical. Action:-County Government of Makueni has funded desilting of Mulima earth dam. Frequent power outages:-This has been the case at Mbumbuni water supply Kinze pumping station Action:-The management has written to the area Member of Parliament, requesting support for a transformer installation at Kinze pumping station. Awaiting response. FLLoCA has funded Kinze for installation of solar energy. Limited Water storage:- Action:-USAID-STAWI has funded Mbonwasco to replace corroded Mbumbuni market steel tank 86m3 capacity (SN). 4 -Rehabilitation of steel tank and automation of 2No. water kiosks. Dilapidated water infrastructure:- Action:-USAID-STAWI has funded replacement of GFBC-Kithongo pipeline including rehabilitation of water kiosks. FLLoCA has funded construction of No.8 pipeline. USAID-STAWI APS 2023-001Proposal (In kind)- Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of</p>	Being resolved	September 2025

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		<p>operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN) 3-GFBC-Kithongo pipeline construction. (SN). 4 -Rehabilitation of steel tank and automation of 2No. water kiosks. Low Tariffs:-The tariffs are low. Low Tariffs:-The tariffs are low. Action:- The Company is progressing in development of a tariff to submit to WASREB for review. Timely revenue collection-failure to carry meter reading and billing on time:- Action:- Meter reading and billing has been enhanced. Unaddressed water treatment challenges:- Action:-USAID-STAWI has funded installation of water treatment equipment for Mulima water supply, Mbumbuni Water supply and Mukundi water supply as well as chemicals and testing kits. Government of Makueni is currently constructing water treatment plant at Mulima intake. USAID-STAWI APS 2023-001Proposal (In kind)- Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025 Items in summary sheet:- (SN).5-Water meters and separation of pipelines)</p>		
3	Unmetered Customers	<p>Some of 559 inactive customers were occasioned by damaged pipeline infrastructure. These pipelines include:- GFBC-Kithongo-Kivani pipeline, Mbumbuni-Usalala Pipeline, Kisau Girls-Ngoluni pipeline and Ngoluni-Kyangondu pipeline and old Kinze-No8 pipeline. Progress: GFBC-Kithongo pipeline will be rehabilitated by UASAI-STAWI, Kinze-No.8 pipeline will be rehabilitated by FLLoCA, increasing the customers base and revenue.</p> <p>Of the 869 connected customers, 400 have unreliable supply of water occasioned by unreliable electricity</p>	Being resolved.	September 2025

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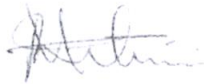
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>at Kinze, and drying water sources at times.</p> <p>Un-tapped potential customers will be realized through projects proposed to be handed over to the Company once complete and handed over for operation and maintenance.-</p> <ol style="list-style-type: none"> 1. Athi-Kalawa water project under construction 2. Mukelenzu bore hole-Complete. 3. Kalawa borehole- Complete. 4. Hand over to Mbonwasco of viable project implemented by the County, 5. Rehabilitation of Mulima water project by the County which is currently under way-Construction of treatment works and pipeline rehabilitation. <p>If the above activities are realized, the customer base will increase; increasing revenue and the Company will become more profitable.</p> <p>USAID-STAWI APS 2023-001Proposal (In kind)-Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025</p> <p>Items in summary sheet:-</p> <p>(SN) 3-GFBC-Kithongo pipeline construction.</p> <p>(SN). 4 -Rehabilitation of steel tank and automation of 2No. water kiosks.</p> <p>(SN).5-Water meters and separation of pipeline.</p>		
4	Lack of Internal Audit and Audit Committee Functions (4)	<p>The Company does not have enough resources to establish an internal audit function. However, we written to the County Government requesting for support from the County Internal Audit.</p> <p>The Board has already established an Audit committee. (Appendix 14(b)- Board minutes appointing Committees</p>	Being resolved by Board of Directors/ Management	30/06/2025
5	Lack of Policy	(i).The Company has no adequate resources to hire a consultant to assist in formulation of the policy	Being resolved	September 2025

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	Documents.	<p>documents.</p> <p>Action:-The management has raised a proposal to USAID-STAWI APS 2023-001, requesting to be assisted in development of :- 1) Company strategic plan. 2) Business plan. 3) Investment plan. 4) Human resource policy. 5) Risk management policy/Disaster management plan. 6) Company metering policy. 7) Customer service policy. 8) Pro poor policy. 9) Debt recovery policy.. 10. ICT Policy</p> <p>Progress:-</p> <p>USAID-STAWI has undertaken to develop: - (1) Company strategic plan. 2) Company Business plan.</p> <p>The Management and the board has drafts on:- (1) Human resource policy. (2) Risk management policy/Disaster management plan. (3) Customer service policy.</p> <p>Drafts on Company metering policy, Pro poor policy, debt recovery policy and ICT Policy are being worked on</p> <p>USAID-STAWI APS 2023-001Proposal (In kind)- Proposed activity:- Improvement of water access and service delivery within Mbonwasco area of operation. Grant type:- In kind grant. Performance period:- September 05,2024-September 04,2025</p> <p>Items in summary sheet: (SN) 9-Development of strategic plan and business plan (2023-2028).</p>		
6	Lack of Key Staff and Departments	<p>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>Action:-The management had written to the County requesting to be assisted with key staff on need basis.</p> <p>Progress:-A senior accountant was attached to the company by the County finance department to assist in financial issues and assisted in preparation of financial reports 2023/2024 Q1 and Q2, and contracted by the Company to do Q3, Q4 and the</p>	Being resolved	2023/2024-2025/2026

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		annual report 2023.2024		
7	Weakness in stores management.	<p>The Company lacked a professional procurement Officer to assist on procurement matters and it lacks resources to employ one.</p> <p>Action: - The management has written to the County Government, requesting to be assisted with a professional procurement officer on need basis to assist the Company on the procurement matters such as preparation of procurement plan, procurement documents, list of pre-qualified suppliers and other procurement procedures.</p>	Being resolved	30 th June 2025



Name Nicodemus M. Titus

Signature

Managing Director

Date 27th September 2024