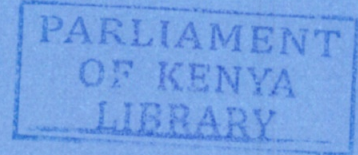


REPUBLIC OF KENYA



*Enhancing Accountability*



# REPORT

PAPERS LAID	
DATE	16.05.2024
TABLED BY	Sen. J. Methu on behalf of SML
COMMITTEE	—
CLERK AT THE TABLE	Ms. Kiarie

OF

**THE AUDITOR-GENERAL**

ON

**KILIFI MARIAKANI WATER AND  
SEWERAGE COMPANY LIMITED**

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



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**KILIFI – MARIAKANI WATER AND  
SEWERAGE COMPANY LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
YEAR ENDED JUNE 30, 2023**

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

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

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**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund
WSDP	Water Sanitation Development Programme

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**II. KEY ENTITY INFORMATION AND MANAGEMENT**

**Background information**

The Company was incorporated in November 2005 under the company's Act CAP 486 and it is also regulated under the state corporations Act CAP 446. Under devolved function, the company is a County Government Corporation. The water companies were formed under the water Act of 2002 and now the new Water Act of 2016.

The Managing Director is responsible for the day-to-day running of the organisation and is answerable to the board of directors who guides the Company. The Board of Directors are responsible for formulation of the strategic plan and policies of the Company. A team of managers supports the managing director.

**Principal Activities**

The principal activity of Kilifi Mariakani Water and Sewerage Company is to Supply Water to the Residents of Kilifi south, Ganze, Rabai, Kaloleni and parts of Kilifi North sub counties.

**Directors**

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

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
Rashid Mukwana Muhhamad	Chairman	19 <sup>th</sup> July 2019
Ravasco Pole Mwasambu	Member	19 <sup>th</sup> July 2019
Margret Chizi Ngale	Member	19 <sup>th</sup> July 2019
Rashid Mukwana Muhhamad	Member	19 <sup>th</sup> July 2019
Nyasaida Famau Athman	Member	1 <sup>st</sup> July 2021
Hezekiah Nguma Mwarua	Member	17 <sup>th</sup> January 2023
Ms. Juliet Luvuno Jana	Member	17 <sup>th</sup> January 2023
Winnie Luvuno	Member	17 <sup>th</sup> January 2023
Elvina R. Kahindi	Member	17 <sup>th</sup> January 2023
Valentine Matsaki Mwamanga	Member	17 <sup>th</sup> January 2023

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**Corporate Secretary**

John Bwire and Advocates, Company Secretary

P. O. Box 98731 – 80100

Mombasa

**Entity Head Office**

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: [info@kilifi water.co.ke](mailto:info@kilifiwater.co.ke)

**Entity Bankers**

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

**Co-operative Bank**

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

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**Post Bank**

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

**Collection Agencies**

Safaricom Kenya Limited

M-PESA Holding

P.O. Box 66827 - 00800

Nairobi - Safaricom House Waiyaki Way

Tel.No. 0722-002222

**Postal Corporations' of Kenya**

P.O. Box 891333

Mombasa

Tel. No. 04122277705

**Independent auditors**

Auditor General

Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi-Kenya

**Principal legal advisors**

The Attorney- General

State Law Office

Harambee Avenue




P.O. Box 40112

City Square 00200

Nairobi, Kenya

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**III. THE BOARD OF DIRECTORS**

No.	Directors	Details
1	 <p data-bbox="161 913 699 952">Mr. Ustadh Rashid Mukwana Muhhamad</p>	<p data-bbox="735 488 1485 801">Director Rashid Mukwana is the chairman of the company's Board Directors. He was born in 16<sup>th</sup> April, 1975. He holds a Diploma in Teaching Arabic and Islamic Studies. He is currently the executive officer of Supreme Council of Kenya Muslims (SUPKEM) in Kilifi County and has a wealth of experience.</p>
2	 <p data-bbox="161 1424 560 1462">Mr. Ravasco Pole Mwasambu</p>	<p data-bbox="735 1160 1449 1305">Director Pole Mwasambu was born in 1956. He holds a Diploma in Agricultural Education. He has 37 years of work experience and he is a retired administrator</p>
3	 <p data-bbox="161 2000 499 2038">Ms. Margaret Chizi Ngale</p>	<p data-bbox="735 1619 1473 1933">Director Margaret Chizi was born on 10<sup>th</sup> July, 1975. She holds Masters of Degree in Education, Leadership and Management. She is a teacher by profession. She is currently the chairperson of the HR, Finance and Administration committee of the board. She possesses a wealth of experience in teaching profession</p>

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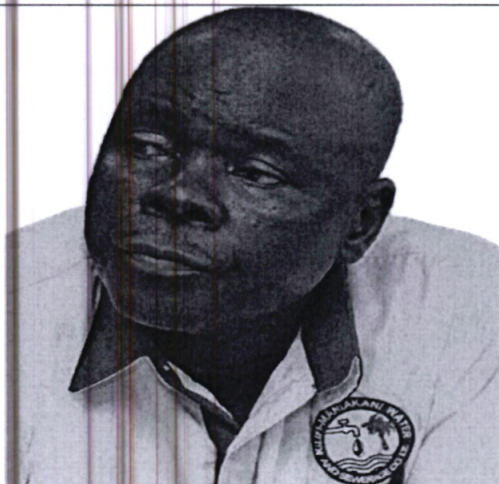
Ms. Nyasaida Famau Athman

Director Nyasaida Famau was born on 21<sup>st</sup> December 1975. She holds Diploma in Project Management from Kenya Institute of Management and a Diploma in Hotel Management from Dynamic Institute of Management and Accountancy. She has a wealth of experience in entrepreneurship.



Ms. Elvina Rehema Kahindi

Director Elvina R. Kahindi 2.21984. She is a re-known business woman. She a wealth of experience in entrepreneurship and women empowerment.



Mr. Valentine M.Mwamanga

Director Valentine Matsaki Mwamanga was born on 23<sup>rd</sup> March 1961. He holds a Diploma in County Governance and Management and a Diploma in Sales and Marketing. He has wealth of experience in leadership

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<p>7</p>	 <p>Ms. Winnie Wakati Luwali</p>	<p>Director Winnie Wakati Luwali was born on 21<sup>st</sup> February 1990.</p> <p>She is the Chief Officer for Finance in the County Government of Kilifi. Winnie Luwali previously worked as a Board Member in the Kilifi County Public Service Board. She holds Bachelor of commerce Degree in Finance and Banking from the University of Eastern Africa Baraton and a Master’s in Business Administration from University of Nairobi. She a member of - Kenya Institute of Bankers, Kenya institute of Management, and Institute of Human Resource Management</p>
<p>8</p>	 <p>Ms. Juliet Luvuno Jana</p>	<p>Director Juliet Luvuno Java was born on 2<sup>nd</sup> January 1974. She is a re-known business woman in Kilifi County. She has a wealth of experience in entrepreneurship.</p>
<p>9</p>	 <p>Eng. Hezekiah Nguma Mwarua</p>	<p>Director Hezekiah N. Mwarua was born on 16<sup>th</sup> January 1983. He is the Chief Officer for Water and Sanitation services at County Government of Kilifi. He holds a bachelor of technology in chemical and process engineering from Moi University. He is currently pursuing Masters of Business Administration (Management Science option). He has over 10 years of experience in private and Public service.</p>

10




Eng. Pascal Dume Jira

**Managing Director**



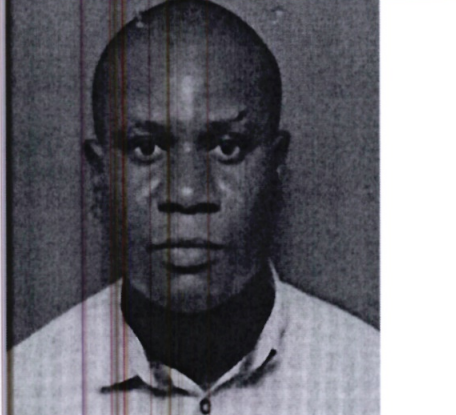
Mr. Pascal Dume Jira is the company Managing Director. He was born on 30<sup>th</sup> September 1984. Until his appointment as Managing Director, he was the company Technical and Operations Manager. Mr. Jira joined the company in 2012 as water superintendent. He holds Bachelor of Science Degree in Civil Engineering from Technical University of Mombasa. Besides that, he is a holder of a Higher Diploma in Water Engineering from Kenya water Institute.

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**IV. MANAGEMENT TEAM**

No.	Management	Details
1.	 <p data-bbox="172 909 464 943">Eng. Pascal Dume Jira</p>	<p data-bbox="663 439 927 472"><b>Managing Director</b></p> <p data-bbox="663 506 1461 920">Mr. Pascal Dume Jira is the company Managing Director. He was born on 30<sup>th</sup> September 1984. Until his appointment as Managing Director, he was the company Technical and Operations Manager. Mr. Jira joined the company in 2012 as water superintendent. He holds Bachelor of Science Degree in Civil Engineering from Technical University of Mombasa. Besides that, he is a holder of a Higher Diploma in Water Engineering from Kenya water Institute.</p>
2.	 <p data-bbox="172 1435 408 1469">Alfred Dume Janji</p>	<p data-bbox="663 999 1098 1032"><b>Internal Audit &amp; Risk Manager</b></p> <p data-bbox="663 1066 1493 1480">Mr. Alfred Janji is the Internal Audit Manager. Born on 8<sup>th</sup> January 1984, Mr. Janji joined the company as Revenue officer in 2009. He has risen through the ranks to his current position of Internal Audit Manager. He holds a Bachelor of business management Degree in Accounting from Moi University and Diploma in personnel management from The Technical University of Mombasa. He is a certified Public Secretary CPS (K).</p>

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3.	 <p>Fatuma Mwidadi</p>	<p><b>Human Resources and Administration Manager:</b></p> <p>Ms. Fatuma Mwidadi is the company’s Human Resources &amp; Administration Manager. Born in 1988, Fatuma joined the company in 2012 as Human Resources &amp; Administration Assistant and rose through ranks to the current position. Fatuma graduated from Kampala International University, Uganda. She is also a member of the institute of Human Resources of Kenya. She is currently pursuing a Master of Business Administration at the Pwani University. Prior to joining the company, Fatuma worked as administrative officer with Grout and Shot Crete Construction Company.</p>
4.	 <p>Catherine Harusi Baya</p>	<p><b>Commercial and Business Development Manager:</b></p> <p>Ms. Catherine Harusi Baya is the Ag Commercial and Business Development Manager. She was born on 15<sup>th</sup> April 1982. She holds Bachelor’s Degree of Commerce, finance option. She joined the company in 2013 as a commercial officer and rose through the ranks to the current position. Until her appointment as the Ag Commercial Manager, she was a Senior Commercial and Business Development officer.</p>
5.	 <p>CPA Benedict Katana Ngumbao</p>	<p><b>Finance Manager.</b></p> <p>Mr. Benedict K. Ngumbao is the company Finance Manager. Born on 21<sup>st</sup> December 1981. He joined the company in 2018. He holds a Bachelor of Business Management in Finance and Banking from Moi University. He is a Certified Public Accountant of Kenya and a member of ICPAK. He worked with the County Government of Kilifi as the principal Accountant at the County Treasury. He is currently pursuing a master’s degree in finance at Technical university of Mombasa</p>

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6.	 <p>Gona Mwembe Kalume</p>	<p><b>Technical &amp; Operations Manager</b></p> <p>Mr. Gona Mwembe Kalume is the Ag Technical Manager.</p> <p>Born in 15<sup>th</sup> July 1984. He joined the company in 2013 as water inspector. He holds a Bachelor's Degree in Civil Engineering from Technical University of Mombasa. Additional, he a holder of Diploma in Water Engineering from The Kenya Water Institute.</p>
7.	 <p>Ismail Juma Sadikini</p>	<p><b>Procurement Manager</b></p> <p>Mr. Ismail Juma Sadikini is the Procurement Manager. Born in 21<sup>st</sup> July 1990. He joined the company in 2018. He holds a Bachelor of Commerce (procurement &amp; supply Chain Management). He is currently pursuing a master's degree in strategic management at Kenyatta University. He is also a member of CIPS &amp; KISM. He had worked at Kilifi County Assembly as a procurement officer prior to joining KIMAWASCO.</p>

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

Kilifi-Mariakani Water and Sewerage Company is one of the two Water and Sewerage Companies in Kilifi County that is a wholly owned subsidiary of the County Government of Kilifi under the new Constitutional dispensation. The core mandate of the Company is to efficiently and sustainably provide safe and adequate water and sanitation services to the residents of Ganze, Kaloleni, Rabai, Kilifi South and Parts of Kilifi North sub-counties in order to enhance economic growth.

In the year 2022/2023, we entered into the fourth year of our five-year strategic plan cycle. In this year, the company made tremendous steps in various thematic areas of the strategic plan. Notable were infrastructural developments which were geared towards improving water distribution to the residents of Kilifi County. It was also a year that reminded us of the importance of strong values and culture which are vital to our customers, shareholders, stakeholders and the entire County of Kilifi and also the country at large. Our strategy remains robust and we continue to execute our mandate to provide water and sanitation services in line with the license conditions by the Water Service Regulatory Board (WASREB) as a delegated and devolved function of the County Government of Kilifi.

The water distribution enhancement and sanitation project under the World Bank Funded Water and Sanitation Development Program that the company is implementing within Kilifi and Mtwapa towns will go a long way in reducing perennial water shortage caused by persistent leaks and bursts due to old and dilapidated water infrastructure within the project development areas.

This year, we oversee the completion and commissioning of the Bamba Shirango Midoina project, a 40km stretch Water pipeline infrastructure development project in Bamba, Ganze Sub-County. The Program was implemented with funding from the Water Sector Trust Fund. This project was intended to serve a population of 11,828 people and 2,816 heads of livestock.

The company in partnership with Water Sector Trust Fund undertook KIMAWASCO will continue to forge stable and long term relationships with its willing development partners and both levels of government in order to enhance its level of services to not only meet but strive to exceed customers' expectation. The County Government of Kilifi has also ambitiously invested in several water projects within KIMAWASCO's area of operation, which has greatly improved on the Company's water coverage from 43% to 65% in the past 5 years. A lot more still needs to be done on development of water infrastructure.

The Company has engaged the County Government of Kilifi and other Development Agencies in rehabilitation of the old and dilapidated water supply infrastructure which has been a major contributor to high levels of water loss through leaks and bursts that the company experiences; the Company's Non-Revenue Water level standing at 45% for the year ended 30th June 2023.


It is also in this financial year where the company has continued to gain from the Utility Turn Around Framework consultancy under the WSDP program. The consultancy aimed at enhancing the operational efficiency in the organization in order to bring sustainability. We have seen tremendous improvement on service delivery and staff performance specifically on the seven key result areas identified under the consultancy; Governance & Strategy, Human Resources management, Technical Operations, Commercial Operations, Financial Sustainability, NRW and Monitoring & Evaluation.

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While faced with challenges, we equally believe opportunities are evident in the water service provision subsector and are continually improving on our commitment to innovation and new technology to enhance our service to our customers. Our target is to continue utilizing the best management approaches to reduce Non-Revenue Water levels, enhance customer service and project management including operations and maintenance.

As Chairman, I continue to stress the need for nurturing genuinely customer focused culture whose approach is based on the interest of the people we are called upon to serve and for the best interest of the shareholders- the county Government of Kilifi; in this respect, the Board stands firm in its commitment to execute on its responsibility to boldly tackle the conduct and governance issues in order to successfully address and deliver to our customers, shareholders and employees by observing merit and ensuring that we have a range of skills and competence among the members of the Board and top management to support achieving of the strategy.

I wish to extend my sincere gratitude to all our esteemed customers, shareholders, development and business partners, my colleagues in the board, the Executive management team and our employees for their unwavering support and confidence in the Company.



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Rashid Mukwana Muhhamad

CHAIRMAN

**VI. REPORT OF THE MANAGING DIRECTOR**

KIMAWASCO operates in Ganze, Kaloleni, Rabai Kilifi South and parts of Kilifi North Sub-counties with a total operating area covering about 4,998 square kilometers. The water supply coverage is currently at 68%, which means a big area still has no access to clean and safe water supply services due to unavailability of pipe networks. The County Government of Kilifi and other donor agencies have and still assist the company in water supply network expansion to increase on the water supply coverage and reach to areas that have no water pipeline connectivity in line with SDG No. 6 and the Kenyan Vision 2030 on Universal Access to clean, safe and quality drinking water.

In the year ended 30 June 2023, the company received 10,334,725 m<sup>3</sup> of water from CWWDA at a cost of Kshs 208,093,920. The company then billed a total volume of 5,674,186 m<sup>3</sup> to its customers translating to a billed amount of Kshs 548,894,965. This was however, below the Kshs 714,502,253 billing target for the year.

The Company is still grappling with the challenge of high level of non-revenue water, which stood at 45% for the year ended 30<sup>th</sup> June 2023. The high NRW level in KIMAWASCO is majorly attributed to old and dilapidated water supply network that has outlived its useful life and thus it is prone to leaks and bursts, illegal water connections and old inaccurate & stalled customer meters that are not giving correct customer consumptions. Experienced incidences of Vandalism of water infrastructure in areas of our operations specifically Ganze Sub-County.

KIMAWASCO has approached several donor agencies and the County Government of Kilifi to fund-raise for the replacement of these dilapidated water supply infrastructure, which require heavy financing. Some pipeline networks have been built on thus exposing them to illegal water use; plans have also been put in place to re-route these pipelines to safe areas.

The Company has piloted on creation of District Metered Areas (DMAs) to enable it carry out water balance and hence effectively monitor its water supply to customers; this will make the company be able to point out at areas where it loses its water.

Through financing from the world bank under WSDP project, the company intends to enhance water distribution in Kilifi and Mtwapa towns by replacing all dilapidated water pipelines, augmenting inadequate pipelines, carryout pipeline extensions to reach out to the unserved and create District Meter Areas for managing Non-Revenue Water.

Through the same World Bank Funded Program, the Company is getting support through a Consultancy dubbed Utility Turnaround Framework, intended to help to bring efficiency in operations within the company thus making it sustainable. This consultancy through an assessment of the current status of the

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company identified seven key result areas that needed to be worked on; Governance & Strategy, Human Resources Management, Technical Operations, Commercial Operations, Financial Sustainability, NRW Reduction and Monitoring & Evaluation.

KIMAWASCO adopted modern technology of meter reading to reduce losses due to errors on meter reading and thus enhance its billing and revenue as well as reduce on the NRW. Within its small means, the Company has embarked on a strategy to service stalled meters and replace all non-functional unserviceable meters to reduce on water losses through estimated billing of customer accounts. The company has also formed a NRW/Inspection team that carries out inspections of customer collections that have stayed on disconnection for a long time to deter water theft.

The firm has partnered with the Kenya Police in carrying out door-to-door inspection of households to check on illegal water use and with local administration to sensitize the public on reporting of illegal water use through chiefs' barazas.

High electricity and fuel cost for pump stations pose a great challenge to the Company's operations; the Company operates 17 pumping units to lift water to reach to its customers in far and raised areas. The company intends to undertake an investment grade companywide energy audit to identify opportunities for energy cost reduction.

The company has also embarked on an ambitious plan to capacity build its staff by having a well-developed training and staff development plan in order to hone the skills of its personnel for better performance. Several staff but senior and those at lower level have undergone various trainings and also visited other water services providers on peer to peer learning within the year.

With no any other potential source of bulk water supply into the company, the firm has NRW reduction as the very major opportunity for its sustainability. The company will thus dedicate and invest much of its effort and resources to reducing Non-Revenue Water in the coming financial year.



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Pascal Dume Jira

**MANAGING DIRECTOR**

**VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023**

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

Kilifi-Mariakani Water and Sewerage Company limited has four strategic pillars/result areas and objectives within the current Strategic Plan for the FY 2019/20- FY 2023/2024. These strategic pillars/result areas are as follows:

1. Corporate Image
2. Infrastructure Development
3. Institutional Capacity
4. Financial Management

KIMAWASCO develops its annual work plans based on the above four pillars/result areas. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. KIMAWASCO achieved its performance targets set for the FY 2022/2023 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Corporate Image	To increase customer satisfaction levels by 10%	Improved Customer Satisfaction Levels	Conduct customer identification survey  Conduct Stakeholders forums	Enhanced customer relationships

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	Improve Corporate communication	Develop and implement a corporate communication policy	Developed corporate communication policy	Enhanced communication
		Develop and implement a pro poor policy	Developed a pro poor policy	
Infrastructure Development	To develop Water Distribution systems in Mtwapa, Mariakani and Kilifi Town	Water Distribution master plan documents	Carry out assessment of Water distribution infrastructure in Kilifi and Mtwapa Town	Water distribution master plan developed  Water Distribution Construction Works ongoing at 60% progress

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	To develop Sanitation systems in Mtwapa, Mariakani and Kilifi Town	Progress Reports	Development of sanitation system in Kilifi and Mtwapa Town	Bamba PSF operationalized  Sanitation project ongoing in Mtwapa and Kilifi Towns
	Reduce non-revenue water by 15% to 34% from the current 49%.	Non-Revenue Water Policy implementation Progress Reports	Develop and implement non-revenue water management plan	Developed Non-revenue water management plan  Current NRW level is 45%
Institutional Capacity	Strengthen governance framework		Recruitment of new board of directors  Training of board of directors on corporate governance	Enhanced corporate governance

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	Leverage technology for performance improvement	Implementation of technology	Enhancement of billing systems  Purchase and allocation of computers in stations	Enhancement of customer bills services  Improved performance
	Rationalization of human resources for optimal productivity	Reviewed performance management system  Reviewed human resource policies and procedures manual	Undertake review of the performance management system  Undertake review of the human resource policies and procedures manual	Reviewed performance management system  human resource policies and procedures manual reviewed
	Ensure that all employees are trained for performance improvement	Carry out a TNA and implement recommendations	Conducted and implemented a Training Needs Assessment	Improved staff performance

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	Mobilize resources to support training	Develop training proposals for funding	Training proposals  Developed and implemented (43 staff trained in partnership with Gatsby Africa)	
Financial Management	Improve revenue generation by 15% annually	New connections report  Metering report  Meter reading efficiency report	Increase customer base  Ensure 100% metering  Efficient meter reading	2,502 No. of new connection  Metering Ratio 100%  Meter reading Efficient 90%
	Review and implement credit management policy	Review credit management policy	Credit management policy reviewed	Reduced debt portfolio

## **VIII. CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long-term value to shareholders taking cognizance of the interest of other stakeholders. The Board of Directors of KIMAWASCO is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders in ensuring that the Corporation complies with the laws and the highest standards of business ethics and corporate governance.

Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance and is guided by the corporate governance guidelines as set by the sector regulator WASREB.

### **Board of Directors**

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities are clearly defined within the Company. The Company's Board comprises of Nine (9) directors who are non-executive directors including the Chairman. To maintain the integrity of internal procedures of the company, the board of KIMAWASCO has established an Audit committee (which is mandatory). Due to the volume of issues to be dealt with on a continuous basis and which cannot be adequately dealt with by the Board itself, The Finance and Administration Committee of the board, Technical Committee of the board were also established as outlined in WASREB Governance regulations.

The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters, prevailing statutory requirements and changes in the legislation and new reforms in the water sector as appropriate.

### **Board Meetings**

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and four (4) special meetings during the year under review. As the Corporation is a County Government Entity, the Chief officer for finance and chief Water and Sanitation of

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County Government of Kilifi are expected to attend meetings of the Board and Board Committees for oversight and advisory purposes.

**Committees of the Board**

The Board has set up the following principal Committees that meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

**a) Audit and Risk Management Committee**

The membership of the Audit Committee is comprised as follows:

1. Ravasco Pole Mwasambu - Chairperson
2. Hezekiah Nguma Mwarua - Member
3. Juliet Luvuno Jana - Member
4. Nyasaida Famau Athman - Member

The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- Review financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- Review and make recommendations regarding the Company's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held two (2) regular meetings and no special meetings in the year under review.

**b) Human Resource, Finance and Administrations Committee**

The membership of the Finance and Administration Committee is comprised as follows:

1. Margaret Chizi Ngale - Chairperson
2. Winnie Wakati Luwali - Member
3. Valentine Mwamanga Matsaki - Member
4. Elvina Rehema Kahindi - Member

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The Committee reviews and provides recommendations on issues relating to all human resources matter including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities.

The Committee held four (4) regular meetings and no special meeting in the year under review.

**c) Technical and Commercial committee**

The membership of the Technical and Commercial Committee is comprised as follows

1. Nyasaida Famau Athman -Chairperson
2. Hezekiah Nguma Mwarua -Member
3. Elvina Rehema Kahindi - Member

The Committee reviews and provides recommendations on issues relating to all technical and commercial matters including, water distribution, water quality, Non- Revenue Water, Water infrastructure development, Revenue mobilization and Customer management.

The Committee held eight (8) regular meetings and no special meeting in the year under review.

**Risk Management and Internal Controls**

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These covers systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Company. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives both in the short and long term.

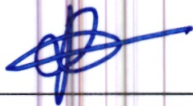
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**Shareholding**

The company recently reviewed its strategic plan and aligned to the realistic operational environment and whereby the mission and vision, core values were revised to take into this account.

The Memorandum & Articles of Association of the company was registered and deposited with the Registrar of Companies reflecting the new shareholding portfolio as stated hereunder;

County Government of Kilifi	4996 shares
County Secretary	2 shares
Executive Committee Member Finance and Economic Planning	1 share
Executive Committee Member for Water, Forestry and Natural Resources	1 share



Pascal Dume Jira

**MANAGING DIRECTOR**



Rashid Mukwana Muhhamad

**CHAIRMAN**

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**IX. MANAGEMENT DISCUSSION AND ANALYSIS**

**(a) Staffing**

During the end of the financial year, the number of staff stood at 266 as shown in table 1

Table 1

<b>NO. OF STAFF</b>	<b>QUARTER 1</b>	<b>QUARTER 2</b>	<b>QUARTER 3</b>	<b>QUARTER 4</b>
Permanent	245	252	250	250
Contract	0	0	11	11
Management Contract	7	7	6	5
<b>TOTAL</b>	<b>252</b>	<b>259</b>	<b>267</b>	<b>266</b>

**b) Production, billed volume, NRW, Billed amount CWWDA and Billed Revenue Amount.**

During the year under review, the company received 10,334,725 m<sup>3</sup> of water from CWWDA compared to the previous year's 10,880,179 m<sup>3</sup> of water. This represents 5% decrease in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of Kshs 208,093,920 and Kshs 233,699,960 for the years 2023 and 2022 respectively. The company registered a decrease in volume of water it billed its customers from 6,024,481 m<sup>3</sup> in 2022 to 5,674,186 m<sup>3</sup> in 2023; a decrease of approximately 6%. Non-Revenue water was maintained at 45% for both 2022 and 2023. The company has requested for a reconciliation of the bulk water purchase figures so that the figures in the company's books are in harmony with those held by Coast Water Works Development Agency. For more details, refer to table 2.

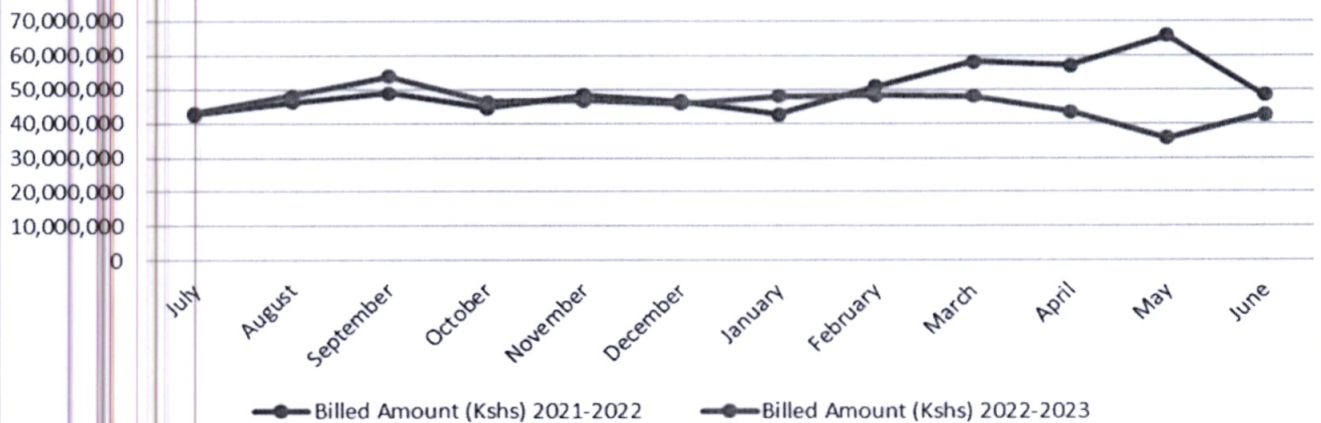
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**VIII.MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**Table 2**

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023
July	888,704	844,282	426,249	456,086	462,455	388,196	19,167,100	16,981,780	42,626,151	42,973,339
August	911,858	902,001	459,821	499,053	452,037	402,948	20,090,320	18,339,820	45,988,952	48,095,547
September	938,377	951,207	481,032	538,328	457,345	412,879	20,462,760	19,369,020	48,783,523	53,941,890
October	875,272	895,566	452,846	481,342	422,426	414,224	18,376,120	19,990,400	44,353,713	46,186,111
November	947,522	896,773	489,089	486,631	458,433	410,142	19,209,760	18,500,000	48,255,125	46,642,023
December	875,298	866,064	458,216	466,611	417,082	399,453	18,386,780	16,909,180	46,520,123	45,635,354
January	878,961	912,438	447,414	498,327	431,547	414,111	22,265,220	18,485,440	42,502,703	47,854,652
February	940,624	884,492	496,437	499,739	444,187	384,753	21,032,880	16,463,340	50,877,820	48,193,520
March	896,648	865,029	556,321	501,224	340,327	363,805	20,345,440	17,316,040	58,191,300	47,864,188
April	915,222	780,845	578,330	445,891	336,892	334,954	18,737,020	14,675,040	57,103,343	43,327,305
May	889,042	760,929	687,560	372,118	201,482	388,811	17,245,720	17,009,000	65,685,099	35,620,563
June	922,651	775,099	491,166	428,836	431,485	346,263	18,380,840	14,054,860	48,351,209	42,560,475
	<b>10,880,179</b>	<b>10,334,725</b>	<b>6,024,481</b>	<b>5,674,186</b>	<b>4,855,698</b>	<b>4,660,539</b>	<b>233,699,960</b>	<b>208,093,920</b>	<b>599,239,060</b>	<b>548,894,965</b>
					45%	45%				

The Graph Shows Coparative Figures for Billed Revenue For the Year 2022 and 2023



**VIII.MANAGEMENT DISCUSSION ANALYSIS (CONTINUED)**

**c) Number of Connections (Active Billed)**

During the year under review, the company recorded an overall average increase in the number of connections of 7% in comparison to the year 2021-2022. The company ended the year 2022-2023 with a marked increase in the number of connections of 28,446 compared to 26,631 in 2021-2022.

Year	No. of Connections		Change in No. of connections	% Change
	2021-2022	2022-2023	Per Qtr.	
Average Qtr1	26,609	27,227	618	2%
Average Qtr2	27,049	27,914	865	3%
Average Qtr3	27,819	28,236	417	1%
Average Qtr4	26,631	28,446	1,815	7%

**d) Risks**

**i) Sustainability**

The major risk facing the company is lack of sustainability. This challenge is a function of many factors, a few among many, being high cost of operations including increased pumping power & fuel cost, high Non-Revenue Water (Water loss) through leaks and bursts, illegal water use, being billed for water consumed by other neighboring water utilities. The management has put in place cost cutting measures to reduce on cost to drive the company to sustainability. Among the measures and strategies management is putting in place to ensure sustainability of the firm include carrying out an investment grade energy audit to identify energy saving opportunities, carrying out a customer identification survey to clean up the customer data base, intensifying on NRW reduction activities, putting a caveat on staff employment, enhance budgetary controls among others.

**X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KIMAWASCO has been taking part in some activities geared at giving back to the community under CSR initiative that is anchored in a Policy adopted by the Board.

The company in collaboration with the department of water and environment and natural resource participated in the world environmental day by providing seedlings in the financial year ended 30<sup>th</sup> June 2023.

The company takes this great opportunity to sincerely thank the diverse mix of our stakeholders in our region for the immense support they have given us in the course of our duty in serving them. We also take great admiration to the laudable efforts taken by the County Government in ensuing the company focuses in bridging the service coverage gap by the array of water projects initiated in our area of operation. By and large, our most valued customers who, at times endure long nights in long quest waiting for water at yard taps silently should never go unmentioned for their unwavering patience. Amidst all this, we are not swayed in our pursuit to offer efficient and effective services and we shall strive to continuously focus in addressing the inefficiencies that impede sustainable delivery of our services for the betterment of the Kilifi residents and all stakeholders.



Pascal Dume Jira

**MANAGING DIRECTOR**



Rashid Mukwana Muhhamad

**CHAIRMAN**

**XI. REPORT OF THE DIRECTORS**

The directors submit their report together with the financial statements for the year ended 30<sup>th</sup> June 2023, which show the state of the company's affairs.

**(i) Principal activities of the company**

- Provide quality and economical water and sanitation services to consumers.
- Billing for water and sanitation services and ensure timely collection of dues.
- Routinely maintain water and sanitation services and infrastructure.
- Ensure that standards and licensing requirements are complied with as stipulated in the license by the water Service Regulatory Board (WASREB).

**(ii) Results of operations**

The results of the company for the year ended 30<sup>th</sup> June, 2023 as set out on page One (1) to Forty-Four (44)

**(iii) Directors**

The members of the Board of Directors who served during the year are shown on page v (v) to page vii (vii). In accordance with the entity's Memorandum and Articles of Association, the number is supposed to be nine. The company has nine Board members as stipulated in the Memorandum and Articles of Association.

**Management Team**

The management team that served in the organization during the period are set out on page ix to page xi

**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

John Bwire and Associates Advocates, Company Secretary

Mombasa

Date... 14<sup>th</sup> March 2024



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

Section 164 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act CAP446, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year. The Directors are also required to ensure that the entity keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

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

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012, water act 2016 and companies Act 2015. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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**XI.STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)**

**Approval of the financial statements.**


The entity's financial statements were approved by the Board on 4/03/2024.....

2024 and signed on its behalf by:



Pascal Dume Jira

**MANAGING DIRECTOR**

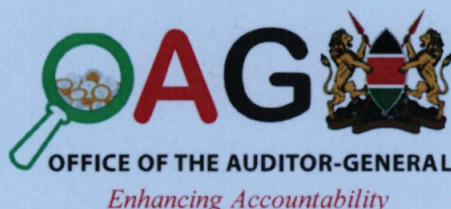


Rashid Mukwana Muhhamad

**CHAIRMAN**

# REPUBLIC OF KENYA

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



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

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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kilifi Mariakani Water and Sewerage Company Limited set out on pages 1 to 50, which comprise the statement of

financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

### **Basis for Qualified Opinion**

#### **1. Inaccurate Expenditure on General and Operational Expenses**

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects expenditure in respect of general and operational expenses totalling Kshs.459,224,127. Included in the expenditure is Kshs.208,093,920 in respect of bulk water costs. However, during the year under review, a total of Kshs.456,154,265 was incurred on bulk water, mainly on payment of electricity bills on behalf of Coast Water Works Development Agency (CWWDA), resulting to an un-reconciled variance of Kshs.248,060,345.

In the circumstances, the accuracy and completeness of the expenditure on general and operational expenses totalling Kshs.459,224,127 could not be confirmed.

#### **2. Unsupported Property, Plant and Equipment Balance**

The statement of financial position and Note 20 to the financial statements reflects a balance of Kshs.425,356,133 in respect to property, plant and equipment which includes additions of Kshs.153,098,066. However, a fixed asset register where the different classes of assets are recorded and maintained and the ownership documents for the land, buildings, and motor vehicles were not provided for review.

In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment balance of Kshs.425,356,133 could not be confirmed.

#### **3. Unsupported and Long Outstanding Trade and Other Receivables Balance**

The statement of financial position and Note 24 to the financial statements reflects trade and other receivables balance of Kshs.443,248,588 which includes a balance of Kshs.427,250,807 in respect of trade receivables whose details were not provided for review while trade receivables balance of Kshs.338,804,384 have remained uncollected for over ninety-one (91) days. In addition, the trade and other receivables balance include

other receivables balance of Kshs.15,237,455 relating to previous years which is under investigations. However, the progress of these investigations has not been provided. Further, the aging analysis in respect of advances balance of Kshs.549,337 on staff receivables on outstanding loans and advances, has not been provided.

In the circumstances, the accuracy, recoverability and completeness of trade and other receivables balance of Kshs.443,248,588 could not be confirmed.

#### **4. Inaccuracy of Total Liabilities Balance**

The statement of financial position reflects a balance of Kshs.1,749,850,938 as total liabilities which includes a balance of Kshs.341,281,262 in respect of bulk water owed to CWWDA. However, the corresponding trade and other receivables balance in the books of CWWDA reflect a balance of Kshs.947,973,999 resulting to unreconciled variance of Kshs.606,692,737. In addition, the liabilities include trade and other payables balance of Kshs.376,526,319 whose details have not been provided.

In the circumstances, the accuracy and completeness of total liabilities balance of Kshs.1,749,850,938 could not be confirmed.

#### **5. Unsupported Capital Reserves Fund Balance**

The statement of financial position reflects capital reserves fund balance of Kshs.50,094,019 which includes land, buildings, motor vehicles, various expenditures and adjustment for cost of bills recognized at the inception of the company. These balances were however not supported with any documentation.

In the circumstances, the accuracy and completeness of the capital reserve fund balance of Kshs.50,094,019 could not be confirmed.

#### **6. Unsupported Coast Water Works Development Agency Liability**

The statement of financial position and Note 28 to the financial statements reflects a balance of Kshs.292,548,843 in respect of CWWDA liability which is part of capital and reserves. As previously reported, Management has not provided details to support the liability disclosed and the balance has remained unexplained despite the continuous increase of the balance.

In the circumstances, the accuracy of CWWDA liability of Kshs.292,548,843 could not be confirmed.

#### **7. Unaccounted for Long-Term Customer Deposits Balance**

The statement of financial position and Note 33 to the financial statements reflects trade and other payables balance of Kshs.376,526,319 which includes a balance of Kshs.92,772,272 in respect of long-term customer deposit. However, a local Commercial Bank deposit bank account reflects a balance of Kshs.69,296 resulting to unexplained variance of Kshs.92,702,976.

In the circumstances, the accuracy and completeness of long-term customer deposit balance of Kshs.92,772,272 could not be confirmed.

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

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.824,502,253 and Kshs.697,320,045 respectively resulting to a revenue shortfall of Kshs.127,182,208 or 15% of the budget. Similarly, Management expended Kshs.795,962,751 against an approved budget of Kshs.710,056,522 resulting to an over-expenditure of Kshs.85,906,299 or 12% of the budget.

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

### **2. Contingent Liabilities**

Note 40 to the financial statement on financial risk management section discloses that the Company did not have any known contingent liabilities in the period under consideration. Review of records revealed that Company incurred a total cost of Kshs.473,900 on legal expenses and had eleven (11) active court cases in which they were the defendants. However, the Company has not made a provision for the contingent liabilities likely to occur in the event of losing any of the cases. In addition, the contingent liabilities have not been disclosed by way of footnotes to the financial statements.

My opinion is not modified in respect of these matters.

## **Key Audit Matters**

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

## **Other Matter**

### **1. Failure to Offer Sewerage Services**

The Memorandum of Association and as prescribed in the Water Act, 2016 the Company is mandated to offer sewerage services within the towns of Kilifi, Kaloleni, Malindi,

Magarini, Rabai and its environs. Review of the Company's financial records revealed that the Company has not offered these services in the past and did not do so in the year under review. There was however no explanation why the company has failed to offer this service as mandated.

## **2. Unresolved Prior Year Matters**

Various prior year audit issues remained unresolved as at 30 June, 2023. Even though Management indicates progress has been made in resolving the issues, evidence has not been provided and the issues remain unresolved. This is contrary to Section 68, 2 (l) of the Public Finance Management Act, 2012 which states that the accounting officer shall take appropriate measures to resolve any issues arising from audit which may remain outstanding. Management has not provided satisfactory explanation for the delay in resolving the issues.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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. Excessive Non-Revenue Water**

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue of Kshs.548,894,965. Review of records revealed that the Company produced a total of 10,334,725 cubic meters (M<sup>3</sup>) of water. However, only 5,674,186 cubic meters (M<sup>3</sup>) of water was billed to customers. The balance of 4,660,539 cubic meters (M<sup>3</sup>) or 45% of the total volume of water produced was not billed accounting for 20 percentage points over and above the allowable limit of 25% by Water Service Regulatory Board Guidelines. Management attributed the loss to old and dilapidated water supply network, illegal water connections and old inaccurate and stalled customer meters that don't give correct customer consumptions. The 4,660,539 cubic meters Non-Revenue Water may have resulted into a loss estimated at Kshs.450,839,361.

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

#### **2. Failure to Observe Third Net Pay Rule**

A review of the payroll revealed that a number of employees as detailed below had deductions that were more than two thirds of their basic pay, contrary to provision of Section 19(3) of the Employment Act which states that the total amount of all deductions

which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

Month	Basic Pay Kshs.	Net Pay Below 1/3 of Basic Kshs.
July, 2022	44,543	14,141
July, 2022	60,000	19,044
August, 2022	172,000	49,958
August, 2022	72,000	20,107
October, 2022	24,000	7,714
October, 2022	134,200	34,334
November, 2022	38,289	12,522
December, 2022	42,316	12,304
March, 2023	35,634	11,849
March, 2023	39,359	12,731
March, 2023	59,561	19,678
March, 2023	35,700	11,722
May, 2023	60,000	18,317
May, 2023	35,700	19,763
June, 2023	34,000	11,134
June, 2023	24,000	7,879

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

### **3. Failure to Adhere to National Cohesion and Integration Act**

Examination of the personnel records indicated that the total number of employees of the Company were two hundred and sixty-six (266), out of which two hundred forty-six (246) or 92.4% were from the dominant local ethnic community contrary to Section 65 (e) of the County Government Act, 2012 and the National Cohesion and integration Act which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

### **4. Lack of Gender Balance**

Review of documents provided indicates that two hundred and sixteen (216) members of staff of the water Company, representing eighty one percent (81%) of all staff under permanent and contract terms were male contrary to Section B. 22 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on non-discrimination in employment which provides that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than two thirds of positions in its establishment are filled by either gender.

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

### **5. Accrued Tax Liability**

Included in the statement of financial position as disclosed in Note 33 to the financial statement is an amount of Kshs.376,526,319 being trade and other payables balance which includes an outstanding tax liability balance of Kshs.18,300,794 with no movement from the previous year. Management did not explain the outstanding tax liability and did not give a payment plan on settling the liability. This is contrary to the provisions of the Income Tax Act, Cap 470 Section 92 (a) which requires that all taxes due shall be paid on or before 30 September of the following year.

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

### **6. Use of Expired Water Sales Tariff**

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue totalling Kshs.548,894,965. Review of records revealed that the water tariff used in billing was approved through Gazette Notice No.7535 dated 4 August, 2017 for the period 2017/2018 to 2019/2020 financial years and was not renewed by WASREB as required.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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 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 overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of an Efficient Inventory Control System**

The statement of financial position revealed inventories balance of Kshs.19,338,241. During a physical verification of the inventory receipt and issue system in the stores department, it was observed that the store records are maintained in manual form through

the use of stock cards. However, the system in place did not provide details about who requested the inventory issue, the location of the issue, and the customer (in the case of meters) to enable tracing of the issued inventory. In addition, the system does not provide ways of determining utilizations, reorder levels, and obsolete inventory held in the store.

Further, it was observed that the water inventory was not recorded despite the Company purchasing bulk water total volume of 10,880,179 cubic meters (M<sup>3</sup>) worth Kshs.233,699,960, which generated an operating revenue of Kshs.548,894,965.

As a result, the effectiveness of internal controls, risk management and governance of the inventory system 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
 FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**29 April, 2024**

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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

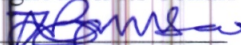
		<b>2022-2023</b>	<b>2021-2022</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
<b>REVENUES</b>			
Operating Revenue	6	548,894,965	599,239,060
Grants Income	7(a)	134,317,187	45,659,350
WSTF grant	7(b)	534,597	534,597
Other Income	8	15,773,296	18,261,529
Finance Income	9	-	-
Other gains/(losses)	10	-	-
<b>Total Revenue</b>		<b>699,520,045</b>	<b>663,694,536</b>
<b>EXPENSES</b>			
Staff Costs	11	239,303,652	198,805,525
General and Operations expenses	12	459,224,127	448,330,587
Board Expenses	13	11,149,825	16,959,270
Maintenance Expenses	14	42,724,037	45,456,658
Depreciation and amortization	15	43,561,110	39,995,952
Finance cost	16	-	-
<b>Total Expenses</b>		<b>795,962,751</b>	<b>749,547,992</b>
Profit/(loss) before taxation		<b>(96,442,706)</b>	<b>(85,853,456)</b>
Income Tax Expense/(credit)	17		
Profit/loss After Taxation		<b>(96,442,706)</b>	<b>(85,853,456)</b>
Earnings per share-Basic and Diluted	18		-
Dividend per Share	19		-

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	20	425,356,133	315,138,469
Intangible assets	21	2,722,830	2,694,737
WIP-mariakani office	22(a)	-	-
WIP-Ablution Blocks	22(b)	27,993,312	15,132,046
WIP-Mtwapa & Kilifi Pipeline	22 (c)	555,646,553	218,124,138
<b>Total Non-Current Assets</b>		<b>1,011,718,829</b>	<b>551,089,390</b>
<b>Current Assets</b>			
Inventories	23	19,338,241	28,598,032
Trade and other receivables	24	443,248,588	455,640,150
Bank and cash balances	25	8,533,513	12,767,798
<b>Total Current Assets</b>		<b>471,120,341</b>	<b>497,005,980</b>
<b>TOTAL ASSETS</b>		<b>1,482,839,171</b>	<b>1,048,095,370</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Owners Equity		-	-
Ordinary share capital	26	100,000	100,000
Retained earnings	27	(609,754,629)	(513,311,923)
CWWDA Liability	28	292,548,843	248,543,712
Capital Reserves fund	29	50,094,019	50,094,019
<b>Capital and Reserves</b>		<b>(267,011,767)</b>	<b>(214,574,192)</b>
<b>Non-Current Liabilities</b>			
Bulk water	30	341,281,262	322,900,423
Licencee fees	31	344,191,836	324,653,127
Loan - WSDP	32	643,118,249	297,987,338
<b>Total Non-Current Liabilities</b>		<b>1,328,591,347</b>	<b>945,540,888</b>
<b>Current Liabilities</b>			
Trade and other payables	33	376,526,319	305,373,763
Deferred Income	7(c)	9,622,736	10,157,333
Retirement benefit obligations	34	35,110,536	1,588,578
<b>Total Current Liabilities</b>		<b>421,259,591</b>	<b>317,119,674</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,482,839,171</b>	<b>1,048,086,370</b>

The financial statements were approved by the Board of directors on 4/03/2024 and signed on its behalf by:

  
**FINANCE MANAGER**

  
**MANAGING DIRECTOR**

  
**CHAIRMAN OF THE BOD**

Name: Benedict Katana Ngumbao CPA No.15256 Name: Eng. Pascal Dume Jira Name: Rashid Mukwana Muhhamad

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Capital Reserves</b>	<b>Total</b>
				<b>2021-2022</b>
	Kshs	Kshs	Kshs	Kshs
As at 1st July 2021	100,000	(427,458,467)	50,094,019	(377,264,488)
Net Profit for the year		(85,853,456)		(85,853,456)
As at 30 <sup>th</sup> June 2022	100,00	(513,311,923)	50,094,019	(463,117,904)
				<b>2022-2023</b>
As at 1st July 2022	100,000	(513,311,923)	50,094,019	(463,117,904)
Net Profit for the year		(96,442,706)		(96,442,706)
As at 30 <sup>th</sup> June 2023	100,00	(609,754,629)	50,094,019	(559,560,610)

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**XVII. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>OPERATING ACTIVITIES</b>			
Cash generated from Operations	35	21,043,962	(221,396,915)
Dividends paid			-
<b>Net cash generated from operating activities</b>		<b>21,043,962</b>	<b>(221,396,915)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	20	(153,098,066)	(52,512,422)
Proceeds from disposal of Property, Plant and Equipment			
Purchase of Intangible Assets	21	(710,000)	(250,000)
WSTF Project			
Work In Progress-Ablution Blocks	22b	(12,861,266)	-
Work In Progress-Kilifi & Mtwapa Pipeline	22c	(337,522,415)	(35,629,816)
Proceeds from Disposal of Quoted Investments			
<b>Net Cash Used in Investing Activities</b>		<b>(504,191,747)</b>	<b>(88,392,238)</b>
<b>FINANCING ACTIVITIES</b>			
WST-Grant	7(b)	(534,598)	(534,598)
WSTF BAMBA	7(a)	134,317,187	45,659,350
WSDP-LOAN	32	345,130,911	205,000,000
<b>Net Cash used from Financing Activities</b>		<b>478,913,500</b>	<b>250,124,752</b>
Increase/(Decrease) In Cash And Cash Equivalents		(4,234,285)	(59,664,401)
Cash And Cash Equivalents At Beginning Of Year		12,767,798	72,432,199
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>8,533,513</b>	<b>12,767,798</b>

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
 THE YEAR ENDED 30 JUNE 2023**

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>%</b>
	<b>2022-2023</b>	<b>2022-2023</b>	<b>2022-2023</b>	<b>2022-2023</b>	
<b>Revenue</b>		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Operating Revenue	714,502,253	714,502,253	548,894,965	-165,607,288	-23%
Non-Operating Revenue	110,000,000	110,000,000	15,773,296	-94,226,704	-86%
WSTF/WSDP Grants	-	0	134,851,784	134,851,784	100%
<b>Total income</b>	<b>824,502,253</b>	<b>824,502,253</b>	<b>697,320,045</b>	<b>-124,982,208</b>	<b>-18%</b>
<b>Expenses</b>					
Staff cost	239,579,444	239,579,444	239,303,652	275,792	1%
BOD expenses	12,000,000	12,000,000	11,149,825	850,175	7%
General and operations expenses	413,270,135	413,270,135	459,224,127	-45,953,991	-11%
Depreciation and Amortization	-	0	43,561,350	-43,561,350	-100%
Repairs & Maintenance	28,500,000	28,500,000	42,724,037	-14,224,037	-50%
Finance cost	16,706,943	16,706,943	0	16,706,943	100%
<b>Total recurrent expenditure</b>	<b>710,056,522</b>	<b>710,056,522</b>	<b>795,962,751</b>	<b>-85,906,299</b>	<b>-12%</b>
<b>Surplus/ deficit for the period</b>		<b>114,445,731</b>	<b>-96,442,706</b>	<b>-210,888,437</b>	
<b>Capital Expenditure</b>	114,445,731	114,445,731	47,239,433	67,206,298	59%
<b>Total expenditure</b>	<b>824,502,253</b>	<b>824,502,253</b>	<b>807,202,424</b>	<b>17,299,829</b>	

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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**Explanations to the Budget variances**

- a) The shortfall of 23% on operating Revenue (sale of water) was due to high non-revenue water and commercial losses. Aged network, stopped meters, water theft, bursts and leaks resulted to the company not achieving its revenue Targets.
- b) The company reported a shortfall in non-operating revenue in the financial year, that is low connection and reconnection fees. During the period the company experienced decline in customer connectivity. The company also had to engage customer in paying for usage of water rather resorting to mass customer disconnection. It was found out that most disconnected customers take time to service their water usage bills and engages themselves in water theft. The company will continue to engage the customers through sensitization, public Barraza's and broadcasting to encourage them to settle their water bills.
- c) There was an over expenditure on repairs and maintenance of 135% in the reported period. Major expenditure was on repairs of water infrastructure. Most of our water infrastructure are old and dilapidated which require heavy capital investments for replacement. Also increase on breakdown of pumps resulted to an increase on expenditure on the vote line.
- d) Over-expenditure on board of director's budget line. In the reported year the company welcome the consultant on Utility Turn Around Framework under the world bank funded project. The board of directors were engaged in activities undertaken by the consultant. These activities resulted to an over expenditure on this expenditure vote line.

**XIX. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Kilifi Mariakani Water and Sewerage Company Limited is established by and derives its authority and accountability from the Water Act 2002. The Company is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The Company's principal activity is supply of water to the residents of Kilifi South, Ganze, Kaloleni, Rabai and parts of Kilifi North Sub County.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The Company's 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, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The financial statements are prepared in conformity with International Financial Reporting Standards (IFRS), which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements management engage experts for advice. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 446, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**i) New and amended standards and interpretation in issues effective for the year ended 30 June 2022**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Title	Description	Effective Date
	adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023**

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes	The amendments are effective for annual reporting periods beginning on or after January

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

Title	Description	Effective Date
	<p>which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.</p>	<p>1, 2023. Early adoption is permitted.</p>
<p>IAS 8- Accounting Policies, Errors and Estimates</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p>	<p>The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.</p>

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

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022/2023

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a) **Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the KIMAWASCO's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company's delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the Company actually receives such grants.
- 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 lease agreements.
- vi) **Other income** is recognized as it accrues.

b) **In-kind contributions**

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment 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.

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

**Summary of Significant Accounting Policies**

**c) Property, plant and equipment**

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

**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 costs of ongoing but incomplete works on buildings and other civil works and installations.

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

Buildings and civil works 2.5% or the unexpired lease period

Plant and machinery 12.5 %

Motor vehicles, including motor cycles 25.0%

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

**Summary of Significant Accounting Policies**

Computers and related equipment	30 %
Office equipment, furniture and fittings	12.5 %
Cold water meters	20 %
Water infrastructure pipeline	4 %
Software (Intangible Assets)	20 %

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

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

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

**e) Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalized because of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

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

Amortization is calculated on the Reducing Balance basis over the estimated useful life of computer software of five years.

All computer software is 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 so that the asset is written down immediately to its estimated recoverable amount.

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

**Summary of Significant Accounting Policies**

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Finance and operating leases**

Leases, which confer substantially all the risks and rewards of ownership to the entity, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

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

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

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

**Summary of Significant Accounting Policies**

**j) Quoted investments**

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

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**m) Trade and other receivables**

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

**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 Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

**Summary of Significant Accounting Policies**

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

**o) Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net

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

**Summary of Significant Accounting Policies**

assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**p) Borrowing costs**

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

**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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorized public officers and institutions that were not surrendered or accounted for at the end of the financial year.

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

**Summary of Significant Accounting Policies**

**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.

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by County Pension Fund Managers and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time. Currently each employee contributes 5% of the basic salary per month.

**u) Provision for staff leave pay**

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

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

**Summary of Significant Accounting Policies**

**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 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.

**w) Budget information**

The original budget for FY 2022-2023 was approved by the Board of directors on 30 June 2022. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not have additional appropriations on the budget in FY2022-2023.

The entity's budget is prepared on a basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on accrual basis. The amounts in the financial statements were recast from the accrual 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 financial performance has been presented under section xvi of these financial statements.

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**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, 2023.

## **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

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

### **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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

### **b) Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity
- 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 asset
- Changes in the market in relation to the asset conditions

### **c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 6 and 12.

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 STATEMENT (Continues)**

<b>6.0 SALES</b>		
	<b>2023</b>	<b>2022</b>
	Kshs	Kshs
<b>Operating Revenue</b>	548,894,965	599,239,060
Credit Adjustments		
<b>Total</b>	<b>548,894,965</b>	<b>599,239,060</b>

<b>7.(a)Grants Income</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Bamba Midoina	-	36,795,430
CLTS	253,518	-
PSF	-	1,806,139
UBSUP	2,924,169	7,057,781
WSDP	131,139,500	-
<b>Total</b>	<b>134,317,187</b>	<b>45,659,350</b>

During the year under review the cost of bulk water purchase decreased from Kshs 233,699,960 to Kshs 208,093,920. A decrease in cost of bulk water by Kshs 25,606,040.

**7.0 (b) GRANTS FROM WATER SERVICE TRUST FUND**

	<b>2022-2023</b>	<b>2021-2022</b>
	Kshs	Kshs
Capital grants received	534,597	534,597
<b>Total</b>	<b>534,597</b>	<b>534,597</b>

Note: Kshs 534,597.00 is arising from the amortization of deferred income from the water services trust fund(WSTF).

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**NOTES TO THE FINANCIAL STATEMENT (Continues)**

Included in the revenue stream of other income is an amount of Kshs 534,597 arising from amortization of deferred income from the Water Services Trust fund project (WTSF). The amount recognized as income is to offset the equivalent amount of the amortized component.

**7. (c) DEFERRED INCOME**

Name of the Entity sending the grant	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2015-2016
	Kshs			
		Kshs	Kshs	Kshs
Water Service Trust Fund	9,566,305	-	9,566,305	9,566,305
<b>Total</b>	<b>9,566,305</b>	<b>-</b>	<b>9,566,305</b>	<b>9,566,305</b>
				<b>2016-2017</b>
	12,830,318	13,364,915	3,798,610	<b>3,798,610</b>
<b>Total</b>	<b>12,830,318</b>	<b>13,364,915</b>	<b>3,798,610</b>	<b>3,798,610</b>
	<b>12,295,721</b>	<b>12,830,318</b>		<b>2017-2018</b>
	<b>11,761,124</b>	<b>12,295,721</b>		<b>2018-19</b>
	<b>11,226,527</b>	<b>11,761,124</b>		<b>2019-20</b>
	<b>10,691,930</b>	<b>11,226,527</b>		<b>2020-2021</b>
	<b>10,157,333</b>	<b>10,691,930</b>		<b>2021-2022</b>
	<b>9,622,736</b>	<b>10,157,333</b>		<b>2022-2023</b>

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**NOTES TO THE FINANCIAL STATEMENT (Continues)**

**8.0 (a) OTHER INCOME**

	<b>2022- 2023</b>	<b>2021 - 2022</b>
	Kshs	Kshs
Miscellaneous Revenue	4,558,981	7,757,079
New Connection Charges	8,220,315	8,591,190
Adjustment	-	-
Re-connection charges	2,994,000	1,913,260
<b>Total</b>	<b>15,773,296</b>	<b>18,261,529</b>

**9.0 FINANCE INCOME**

	<b>2022- 2023</b>	<b>2021 - 2022</b>
	Kshs	Kshs
Finance Income	-	-

**10.0 OTHER GAINS/(LOSES)**

	<b>2022- 2023</b>	<b>2021 - 2022</b>
	Kshs	Kshs
Finance Income	-	-

**11.0 STAFF COSTS**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries & Allowances to Permanent Staff	192,189,379	163,726,121
Wages of Contract Employees	2,048,000	1,350,000
Company National Social Security Fund	1,796,600	584,400
Pension	20,223,199	14,867,113
Staff Welfare	916,643	787,570
Staff Medical	11,750,933	8,940,641
Gratuity	4,953,760	5,297,240
Staff Incentives	1,677,000	1,235,000
WIBA	1,912,139	-
Staff Licence renewal	25,950	3,050
WASCA	-	-
Osha	7,000	19,800
Subsistence Allowances	1,242,800	1,855,750
Subscriptions	560,250	138,840
<b>Total</b>	<b>239,303,652</b>	<b>198,805,525</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

The average number of employees at the end of the year was:	<b>2022-2023</b>	<b>2021- 2022</b>
Contract employees – Management	5	7
Permanent employees	250	184
Temporary and contract employees	11	56
<b>Total</b>	<b>266</b>	<b>247</b>

**12. GENERAL AND OPERATIONAL EXPENSES**

		<b>2022-2023</b>	<b>2021-2022</b>
	Notes	<b>Kshs</b>	<b>Kshs</b>
Chemicals		2,140,536	22,242,965
Electricity pumps and office		24,977,207	30,042,277
Fuel, oil, lubricants and gases		25,281,889	14,988,403
Bulk water costs		208,093,920	233,699,960
office supplies	12a	7,081,367	7,787,094
Uniform and protective clothing		44,600	211,408
Telecommunication	12b	5,238,115	3,869,296
Postage and courier		-	-
Insurance Costs		955,812	906,567
Rents and Rates		1,653,623	1,174,677
Hire of equipment and vehicles	12c	2,577,975	1,394,145
Domestic travelling and subsistence		8,638,010	11,240,088
Staff training and development		5,062,950	4,065,704
Bank charges		1,730,083	1,196,755
Security Services		13,940,882	11,756,114
Publicity and advertising		3,251,635	1,765,460
Audit fees provision		672,800	672,800
Legal Fees		473,900	68,750
Consultancy fees		82,710,675	9,430,225
Licence and levies	12d	27,817,418	31,016,923
Sports and recreation		868,250	311,850
Donation/CSR		250,000	113,000
Hospitality expenses		7,029,049	4,919,773
Provision for doubtful debts		1,029,293	1,186,824
Motor vehicle inspection		46,000	105,000
Pipeline Rehabilitation		23,313,250	32,220,420
NRW/GIS		1,120,850	1,437,250
Meter replacement		783,000	433,200
Meter servicing and consumables		228,000	193,550
Civil and constructions works		-	241,400
Disconnection expenses/fittings		2,005,037	100,000
Tariff Public Consultation		208,000	
Lease fees		-	19,538,709
<b>Total</b>		<b>459,224,127</b>	<b>448,330,587</b>

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**12.(a) OFFICE SUPPLIES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Office expenses	1,033,286	2,937,529
Office Cleaning	264,423	204,274
Newspapers and periodicals	16,160	7,200
Computer stationery and accessories	942,750	1,589,210
Print stationery general	3,697,193	1,667,258
IT consumables & subscriptions	1,127,555	1,381,623
<b>Total</b>	<b>7,081,367</b>	<b>7,787,094</b>

**12.(b) TELECOMMUNICATION**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Telephone and Internet services	3,421,315	2,687,596
Bill postage	-	
Tokens (sms)	1,816,800	1,181,700
<b>Total</b>	<b>5,238,115</b>	<b>3,869,296</b>

**12.(c) HIRE OF EQUIPMENT AND VEHICLES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Transport	1,525,775	1,265,845
Hire of Transport	1,052,200	14,000
Mileage	-	114,300
<b>Total</b>	<b>2,577,975</b>	<b>1,394,145</b>

**12.(d) LICENCE AND LEVIES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Wasreb licence	100,000	5,266,063
Wasreb levy	21,955,918	23,669,360
Neema licence	5,761,500	2,081,500
<b>Total</b>	<b>27,817,418</b>	<b>31,016,923</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**13. BOARD OF DIRECTORS EXPENSES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Workshop & Seminars	1,000,000	5,624,100
Travel & Accommodation	333,400	2,362,181
Committee Allowances	6,647,000	4,805,800
Annual General Meeting	400,000	-
Chairman Honorarium	580,000	720,000
BOD Events	1,031,200	1,213,800
Bod stakeholders forum	-	-
BOD Self evaluation	-	981,000
BOD Medical	536,440	1,025,639
Entertainment	113,075	176,250
BOD Other	508,710	50,500
<b>Total</b>	<b>11,149,825</b>	<b>16,959,270</b>

**14. REPAIRS & MAINTENANCE**

	<b>2022-2023</b>	<b>2021 - 2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Buildings	1,076,619	929,900
Computers	622,656	249,810
Furniture & Equipment	-	-
Motor Cycles	1,445,058	2,853,824
Motor Vehicles	5,382,713	3,492,338
Generator	42,900	135,800
Pumps	2,710,687	3,642,253
Water infrastructure	26,544,307	33,982,583
Repairs and maintenance WSDP	4,760,397	-
Electricity repairs	138,700	170,150
<b>Total</b>	<b>42,724,037</b>	<b>45,456,658</b>

**15. DEPRECIATION AND AMORTIZATION**

	<b>2022-2023</b>	<b>2021 - 2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, plant and equipment	42,880,402	39,322,268
Intangible Assets	680,708	673,684
<b>Total</b>	<b>43,561,110</b>	<b>39,995,952</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**16.0 FINANCE COST**

	<b>2022- 2023</b>	<b>2021 - 2022</b>
	Kshs	Kshs
Finance cost	-	-

**17.0 INCOME TAX EXPENSE**

**a) TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2022-2023</b>	<b>2021-2022</b>
	Kshs	Kshs.
Profit /Loss for the year	(96,442,706)	(85,853,456)
Add back depreciation/amortization	43,561,110	39,995,952
Add back provision for doubtful debts	1,029,293	1,186,824
Add back provision for Audit fees	672,800	672,800
Add back donations	250,000	113,000
	<b>(50,929,503)</b>	<b>(43,884,880)</b>
<b>Less allowable expenses</b>		
Wear and tear allowances	71,187,484	51,776,169
Loan Interest		
<b>Total Allowable items</b>	<b>71,187,484</b>	<b>51,776,169</b>
Amount chargeable to tax	<b>(96,442,706)</b>	<b>(85,853,456)</b>
<b>Taxable Profit / Loss B/F</b>	<b>(517,073,975)</b>	<b>(431,219,975)</b>
	<b>(613,516,137)</b>	<b>(517,073,431)</b>

**b) TAXATION (PRIOR YEARS ASSESSMENT)**

	<b>2022-2023</b>
Tax liability from previous year	<b>18,300,794</b>
<b>Less payment</b>	-
<b>Outstanding Tax payable</b>	<b>18,300,794</b>

During the Year 2022/23 the company had an outstanding tax payable of Kshs 18,300,794.

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**18.0 EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after tax, however the company has been making losses and more so the company being the County Corporation is awaiting the County Government of Kilifi to subscribe to the shares. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**19.0 DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2023, no dividend in respect of the year, ended June 30, 2023 as the company reported losses.

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**20.0 PROPERTY, PLANT AND EQUIPMENT**

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessories	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
Cost/Valuation as at 1 <sup>st</sup> July 2021	3,445,000	28,990,017	45,125,234	7,194,775	3,692,713	4,276,027	60,777,523	148,447,027	<b>301,948,316</b>
Additional Assets 2022	-	4,495,730	-	1,724,320	2,993,645	-	20,827,844	22,470,883	<b>52,512,422</b>
Fixed Assets as at 30 <sup>th</sup> June 2022	3,445,000	33,485,747	45,125,234	8,919,095	6,686,358	4,276,027	81,605,367	170,917,910	<b>354,460,738</b>
Accumulated depreciation	-	837,144	11,281,309	2,675,728	835,795	534,503	16,321,073	6,836,716	<b>39,322,268</b>
Cost/Valuation at 1 <sup>st</sup> July 2022	3,445,000	32,648,604	33,843,926	6,243,366	5,850,563	3,741,523	65,284,293	164,081,194	<b>315,138,469</b>
Additional Assets 2023	-	5,634,653	-	13,131,453	-	5,758,800	6,050,000	122,523,160	<b>153,098,066</b>
Fixed Assets as at 30 <sup>th</sup> June 2023	3,445,000	38,283,257	33,843,926	19,374,819	5,850,563	9,500,323	71,334,293	286,604,354	<b>468,236,536</b>
Depreciation Charged for the year	-	957,081	8,460,981	5,812,446	731,320	1,187,540	14,266,859	11,464,174	<b>42,880,402</b>
NBV as at 30 <sup>th</sup> June 2023	3,445,000	37,326,176	25,382,944	13,562,373	5,119,243	8,312,783	57,067,435	275,140,180	<b>425,356,133</b>
WIP (Ablution blocks)		27,993,312							27,993,312
WIP(mtwapa & kilifi pipeline)								555,646,553	555,646,553
<b>Total</b>									<b>1,008,995,999</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

Property, plant and equipment included the following items that are fully depreciated

	Cost or valuation	Annual depreciation charge	NBV
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Land	3,445,000	-	3,445,000
Buildings	38,283,257	957,081	37,326,176
Plant and machinery	9,500,323	1,187,540	8,312,783
Motor vehicles, including motor cycles	33,843,926	8,460,981	25,382,944
Computers and related equipment	19,374,819	5,812,446	13,562,373
Furniture & Fittings	5,850,563	731,320	5,119,243
Cold water meters	71,334,293	14,266,859	57,067,434
water infrastructure pipeline	286,604,354	11,464,174	275,140,180
	<b>468,236,536</b>	<b>42,880,402</b>	<b>425,356,133</b>

**21.0 INTANGIBLE ASSETS COST**

	2022-2023	2021-2022
	<b>Kshs</b>	<b>Kshs</b>
At 1 July 2022	8,647,550	8,397,550
Additions	710,000	250,000
At June 30 2023	<b>9,357,550</b>	<b>8,647,550</b>
At 1 July 2022	5,954,012	5,280,328
Charge for the year	680,708	673,684
Impairment loss		
At June 30 2022	6,634,720	5,954,012
At June 30 2022	<b>2,722,830</b>	<b>2,693,538</b>

	Cost or valuation	Additions	Annual depreciation charge	NBV
	<b>Kshs</b>		<b>Kshs</b>	<b>Kshs</b>
software	<b>2,693,538</b>	710,000	680,708	2,722,830
	<b>2,693,538</b>	710,000	680,708	<b>2,722,830</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**22.(a) WIP-Mariakani office**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
WIP -Mariakani office		-

**22.(b) WIP-Ablution Blocks**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
WIP –Ablution Blocks	27,993,312	15,132,046

**22.(c) WIP-Mtwapa & Kilifi Pipeline**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
WIP –Mtwapa & Kilifi Pipeline	555,646,553	218,124,138

**23.0 INVENTORIES**

	<b>2022-2023</b>	<b>2021-2022</b>
Engineering stores	8,403,807	5,964,357
Motor vehicle spare parts	313,600	960,950
Chlorine	-	547,222
Building materials	-	10,000
Water meters	9,439,333	19,128,219
Computer accessories	732,197	1,596,607
Stationery and general stores	449,304	381,678
<b>Total</b>	<b>19,338,241</b>	<b>28,589,032</b>

Stationery, water fittings, building materials, water meters, computer accessories, motor vehicles spare parts had not been utilized at the close of the financial year.

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENT (Continues)**

**24.0 TRADE AND OTHER RECEIVABLES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	427,250,807	439,515,822
Deposits and prepayments	210,990	210,990
Insurance prepayments	-	-
VAT recoverable	-	-
Staff receivables	549,337	675,883
Other receivables	15,237,455	15,237,455
<b>Net trade and other receivables</b>	<b>443,248,588</b>	<b>455,640,150</b>

The amount of Kshs 15,237,455 for other receivables have been carried forward from the prior years and management is investigation the same to come up with a solution.

**24.0 (a) TRADE RECEIVABLES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	428,280,100	440,795,422
Provision for doubtful receivables	(1,029,293)	(1,279,600)
<b>Total</b>	<b>427,250,807</b>	<b>439,515,822</b>

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

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Less than 30 days	35,209,875.50	48,351,209
Between 30 and 60 days	24,704,285.50	4,921,968
Between 61 and 90 days	29,561,555.50	39,409,543
Between 91 and 120 days	31,476,970.00	31,422,149
Over 120 days	307,327,413.50	316,690,553
<b>Total</b>	<b>428,280,100.00</b>	<b>440,795,422</b>

The provision on debtors of Kshs 1,029,293 is a general provision at 2.0% based on the company financial and accounting manual.

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

**24.0 (b) STAFF RECEIVABLES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross staff loans and advances	549,337	675,883
Provision for impairment loss		
<b>Total</b>	<b>549,337</b>	<b>675,883</b>

**24.0 (c) Prepayments**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Rent/honoraria	210,990	210,990
<b>Total</b>	<b>210,990</b>	<b>210,990</b>

**25.0 BANK AND CASH BALANCES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	8,532,513	12,765,298
Cash in hand	1,000	2,500
<b>Total</b>	<b>8,533,513</b>	<b>12,767,798</b>

		<b>2022-2023</b>	<b>2021-2022</b>
<b>Financial institution</b>	<b>Account number</b>	<b>Kshs</b>	<b>Kshs</b>
<b>a) Current account</b>			
Kenya Commercial bank	1101877731	11,984	529,050
Kenya Commercial bank	1102227366	12,178	92,235
Kenya Commercial bank	1102227595	96,231	132,571
Kenya Commercial bank	1101877553	69,297	464,494
Kenya Commercial bank	1102225444	3,809,336	133,440
Co-operative Bank	1136465628000	34,788	39,108
Post Bank	744130000183	313,370	30,275
WSTF Bamba midoina/covid	1262035279	1,558	9,301,966
WSTF Bamba community	1270638718	5,837	20,250
WSTF PSAN BAMBA	1270638343	393	409,090
UBSUP WSTF	1266702717	8,038	202,500

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WSDP	1239146469	2,075,376	36,437
KIMAWASCO WSDP	1284360954	118,510	73,703
WSTF CLSG	1283481308	56,652	59,229
<b>Sub- total</b>		<b>6,613,548</b>	<b>11,524,348</b>
Cash in Hand		1,000	2,500
M-PESA	522100	86,033	3,120
M-PESA	841961	-	-
M-PESA	825995	-	-
Postal Corporation		1,832,931	1,237,830
<b>Sub- total</b>		<b>1,919,964</b>	<b>1,243,450</b>
<b>Grand total</b>		<b>8,533,513</b>	<b>12,767,798</b>

**26.0 ORDINARY SHARE CAPITAL**

	<b>2022-2023</b>	<b>2021-2022</b>
<b>Authorized:</b>	<b>Kshs</b>	<b>Kshs</b>
5,000 ordinary shares of Kshs. 1,000 par value each	5,000,000	5,000,000
	<b>5,000,000</b>	<b>5,000,000</b>
<b>Issued and fully paid:</b>		
100 ordinary shares of Kshs. 1,000 par value each	100,000	100,000
<b>Total</b>	<b>100,000</b>	<b>100,000</b>

**27.0 RETAINED EARNINGS**

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

	<b>2022-2023</b>	<b>2021-2022</b>
<b>Retained Earnings</b>	<b>Kshs</b>	<b>Kshs</b>
As at 1 July 2022	(513,311,923)	(427,458,467)
Net profit for the year	(96,442,706)	(85,853,456)
Total as at June 30 2023	<b>(609,754,629)</b>	<b>(513,311,923)</b>

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

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENT (Continues)**

**28.0 COAST WATER WORKS DEVELOPMENT AGENCY LIABILITY**

This arises as a result of excess of total liabilities over assets; there are pending unreconciled issues relating to Bulk water over estimation of invoices provided to KIMAWASCO.

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Total current & non-current liabilities	1,749,850,938	1,262,660,562
Less total Assets	1,482,839,171	1,048,086,370
Less Capital and Reserve	<u>559,560,610</u>	<u>463,117,904</u>
<b>CWWDA Liability</b>	<b><u>(292,548,843)</u></b>	<b><u>(248,543,712)</u></b>

**29.0 CAPITAL RESERVES FUND**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Land	2,745,000	2,745,000
Buildings	29,821,900	29,821,900
Motor vehicles	1,690,000	1,690,000
<b>Subtotal</b>	<b>34,256,900</b>	<b>34,256,900</b>
Management salary at formation	521,875	521,875
Payroll deduction on Ex- Nwc	411,423	411,423
Ex-New payroll on formation	418,332	418,332
Management salary at 2006 July	521,875	521,875
Statutory deduction 2006 August	411,423	411,423
Transfer on reconciliation	220,184	220,184
<b>Sub Total</b>	<b>2,505,112</b>	<b>2,505,112</b>
Adjustment for cost of bills	13,332,007	13,332,007
<b>Total</b>	<b>50,094,019</b>	<b>50,094,019</b>

**30.0 BULK WATER (DEBT)**

The Bulk water debt relates to Coast Water Works Development Agency invoices for supply of water which has been rescheduled for payment in future. The outstanding amount as at 30<sup>th</sup> June 2023 is Kshs. 341,281,262 being classified as non-current and Kshs. 41,193,920 classified as current.

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**31.0 LICENCEE FEES**

Licencee fees is levied by Coast Water Works Development Agency for the use as the agent of the regulator offering administrative services of Kshs 1,630,725.75 monthly. It is chargeable after deducting 4% Water Regulatory Levy. The accumulated amount is ksh. 344,191,836 classified as non-current.

The Water Regulatory Levy is payable to Water Regulator Board (WASREB) at a rate of 4% of water sale as from November 2018.

**32.0 WSDP LOAN**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at beginning of the year	297,987,338	92,987,338
Borrowings during the year	345,130,911	205,000,000
Repayments of borrowings during the year	-	-
Balance at end of the year	<b>643,118,249</b>	<b>297,987,338</b>
Less: Amounts due within one year (current portion)		
Amounts due after one year (non-current portion)		-

Note: The company received Kshs 345,130,911 as a loan from world bank in the financial year 2022-2023.

**33.0 TRADE AND OTHER PAYABLES**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Creditors	127,294,417	100,254,716
Other Liabilities	16,420,940	4,832,326
Long Term Customer Deposit	92,772,272	84,204,802
Water Service Regulatory Services Levy	74,598,376	55,238,375
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	5,945,600	4,623,200
Lease fees(licensee fees)	-	19,538,709
Bulk water liabilities	41,193,920	18,380,840
<b>Total</b>	<b>376,526,319</b>	<b>305,373,763</b>

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**34.0 RETIREMENT BENEFIT OBLIGATIONS**

The entity operates a defined Contribution scheme for all full-time employees from July 1, 2015. The scheme is based on 12 percentage of basic salary plus House allowances of an employee and the employer contributes 15 % of the same. The company also has a few employees who are not contributing to the defined benefit scheme, but the fund managers normally determines liabilities and advises the employer to pay from time to time. Currently we have not been advised on any liability. The below balances relates to defined contribution scheme balances.

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Laptrust	35,110,538	1,588,578
<b>Total</b>	<b>35,110,538</b>	<b>1,588,578</b>

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently 5% of employee basic salary per month.

**35.0 NOTES TO THE STATEMENT OF CASH FLOWS**

**a) Reconciliation of operating profit /(Loss) to cash generated from/ (used in) operations**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Operating profit/(loss)	(96,442,706)	(85,853,456)
Depreciation/amortization	43,561,110	39,995,952
Provision for bad debts	1,029,293	1,186,824
Provision (CWWDA liability)		
Provision for audit fees	672,800	672,800
WSTF GRANT		
<b>Operating profit/(loss) before working capital changes</b>	<b>(53,379,503)</b>	<b>(43,997,880)</b>
Stock of consumables	9,259,792	15,600,260
(Increase)/decrease in trade and other receivables	12,391,562	(62,449,818)
Increase/(decrease) in trade and other payables	71,152,556	(84,615,409)
Increase/(decrease)in CWWDA liability	(394,067,626)	(131,910,902)
Increase/(decrease) in retirement benefit obligations	33,521,958	(31,475,590)
Increase/(decrease )in Borrowings	345,130,911	205,000,000
Increase/(decrease) in Bulk liability	18,380,840	(107,003,285)
Increase/(decrease) in licensee remuneration	19,538,709	19,568,709

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED**  
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	<b>21,293,962</b>	<b>(221,283,915)</b>
<b>Operating Activities</b>		
Donations	(250,000)	(113,000)
<b>Cash generated from/(used in) operations</b>	<b>21,043,962</b>	<b>(221,396,915)</b>

**36.0 DEFFERED TAX LIABILITY**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year-end is attributable to the following items:

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Accelerated capital allowances	16,859,750	16,859,750
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(299,849,958)	(299,849,958)
Provisions for liabilities and charges	-	-
<b>Net deferred tax liability</b>	<b>(282,990,208)</b>	<b>(282,990,208)</b>

The movement on the deferred tax account is as follows:

Balance at beginning of the year	(175,576,803)	(175,576,803)
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
<b>Balance at end of the year</b>	<b>(175,576,803)</b>	<b>(175,576,803)</b>

**37.0 PROVISION FOR LEAVE PAY**

Provision for annual leave pay is a liability the company has tried to avoid by exercising annual leave planning where every head of department and section heads prepares a leave roaster to avoid leave liability. This is based on services rendered by full-time employees up to the end of the year.

**38.0 DIVIDENDS PAYABLE**

The balance of dividends payable relates to unclaimed dividends, payable to different ordinary shareholders. The balances are analyzed in annual amount below.

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**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

**39.0 RELATED PARTY DISCLOSURES**

**(a) Government of Kenya**

The County Government of Kilifi is the principal shareholder of the KIMAWASCO, holding 100% of the entity's equity interest. However, the Government of Kenya provides full guarantees to all long-term lenders of the KIMAWASCO, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry; Ministry of water , sanitation and irrigation
- ii) County Government of Kilifi
- iii) Water Services Trust Fund
- iv) Coast Water Works Development Agency
- v) Key management;
- vi) Board of directors

**b) Grants**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Water Services Trust Fund	3,177,687	45,659,350
WSDP	131,139,500	
<b>Total</b>	<b>134,317,187</b>	<b>45,659,350</b>

**c) Key management compensation**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Directors' emoluments	10,213,385	15,933,631
Compensation to the CEO		-
Compensation to key management	22,041,484	24,264,000
<b>Total</b>	<b>32,254,869</b>	<b>40,197,631</b>

**40.0 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks including credit and liquidity risks.

The company's overall risk management programme focuses on unpredictability of changes in the

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business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

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

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

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

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

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**1. Related Party Balances**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. There were no inter related party transaction during the year.

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**2. Segment information**

The Company does not have segments operating either geographically or departmentally that requires segmental reporting on performance and allocation of resources

**3. Contingent assets and contingent liabilities**

The Company does not have known contingent assets or contingent liabilities in the financial period under reporting

**4. Capital Commitments**

There were no Capital commitments made in the next financial year for reporting in the current financial year

**5. Events after the reporting period**

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

**6. Ultimate and Holding Entity**

The Company is a Semi- Autonomous Government Agency under the Ministry of Water and Irrigation. Its ultimate parent is the Government of Kenya.

**7. Currency**

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

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**XX. APPENDICES**

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

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

Audit Reference Number.	Auditors Observation.	Management Comments	Status	Timeline
1. Presentation of financial statements.	<ul style="list-style-type: none"> <li>▪ Statements of changes in equity omitted equity for the previous financial year which is contrary to the provisions of paragraph 38 of IAS No 1. Presentation of financial statements to comply with the accounting standards.</li> </ul>	The management acknowledges it was an error and has been corrected.	Closed.	
2. Property plant & Equipment	<ul style="list-style-type: none"> <li>▪ Ownership documents for the company assets.</li> <li>▪ Valuation reports for the company assets.</li> <li>▪ Status report on the reported work in progress in the last financial year of Ksh 4,495,730.00</li> </ul>		Ongoing.	June 2023
3. Shared water meters.	<ul style="list-style-type: none"> <li>▪ 554 No of customers with the shared meters shared with serial No. The management to address the customers water accounts with shared meter serial numbers.</li> </ul>	Management has however planned to ensure all the customer accounts details/ data are accurate.	Closed.	
4. <b>Unmetered connections.</b>	<ul style="list-style-type: none"> <li>▪ Explain how the consumption of unmetered customers was determined</li> </ul> <p>Establish and implement controls to ensure all disconnections are deactivated in the sulis management system.</p>	The 790 customers stated above do exist but with water meters with invisible meter numbers or Serial numbers that are indicated in the system as Nil.	<b>Closed.</b>	

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5. Unsupported Administrative costs	<ul style="list-style-type: none"> <li>All unsupported expenditure of 3,311.939/- to properly be supported by payment vouchers and receipts</li> </ul>	Documents have been provided for your review.	<b>Closed.</b>	
6. Asset Register	<ul style="list-style-type: none"> <li>Non-compliance with the financial manual.</li> <li>Loss of assets</li> </ul>	These Assets were handed over to the company without the appropriate ownership documents which means the company is just a custodian of the assets but ownership still remains with the parent entities.	<b>Ongoing.</b>	<b>June 2023</b>
7. Leased Assets from Coast water works development agency,	<ul style="list-style-type: none"> <li>Ownership and valuation documents of leased assets amounting g to 34,256,900/- from coast water works development agency to be provided</li> </ul>	<ul style="list-style-type: none"> <li>The management if following up on the issue of ownership with CWWDA</li> </ul>	Ongoing	June 2023.
8. Motor vehicles.	<ul style="list-style-type: none"> <li>Change of Registration of 5 motorcycle in worth 9,882,045/- to a private company to Kimawasco.</li> </ul>	The Re-registration has been done.	Closed.	
9. <b>Cost of sales.</b>	<ul style="list-style-type: none"> <li>The company should amend the cost of sales to reflect the correct amounts</li> </ul>	This was erroneous printing of Kilifi-water bills under Mombasa and Kwale Water names since probably because CWSB produces bills for all the water companies it supplies with water on bulk within the Coast region in the same time thus this error.	Closed	
10. Provision of bad and doubtful debts	<ul style="list-style-type: none"> <li>The management should comply with the company's finance and accounting manual in the</li> </ul>	The management will have a review the system developer to ensure that the provisions in the systems	Ongoing	June 2023.

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	calculation of provision for bad and doubtful debts	comply with the company's Accounting and finance procedure manual		
11. Cash and Bank	<ul style="list-style-type: none"> <li>The management should provide confirmation that the cheques were presented and cleared by the bank.</li> </ul>	The management has provided the schedule showing the date when the unrepresented cheques cleared.	Closed.	
12. Gender Composition	<ul style="list-style-type: none"> <li>The management should undertake steps during any future recruitment to ensure compliance with the constitution.</li> </ul>	The process was competitive, both the female and male applicants were put on the same scale and unfortunately the female applicants could not match their male counterparts in terms of the requirements for the jobs.	ongoing	June 2023.
13. Debtors Aging analysis and credit policy.	<ul style="list-style-type: none"> <li>The company should develop and implement strategies to recover the outstanding amounts.</li> <li>Provide an age analysis for audit review</li> </ul>	The management acknowledges the importance of a credit policy for its debt management as pointed out in this audit and as such will develop one.	Ongoing.	June 2023.
14. Capital reserves.	<ul style="list-style-type: none"> <li>The management should give details of the capital reserve fund and provide explanations of what they constitute and the reasons for their capitalization.</li> </ul>	The management will review the figures and come up with clear composition of the capital reserve fund stated	Ongoing	June 2023
15. Long-term customer deposits	Account for the undisclosed customer deposits amounting	The management acknowledges that this was an error. A journal entry has	Ongoing	June 2023.

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	to Ksh. 45,253,336.50.	been passed to correct the wrongly posted figure.		
16. Unexplained Use of Water Service Trust Fund Grant	The management to provide documents showing how the grant was utilized	The management has provided the documents showing how the grant was utilized.	Closed	
17. Non-Current Liabilities	<ul style="list-style-type: none"> <li>▪ The company and coast water works development agency to reconcile the 86,373.372/- balance.</li> </ul>	The management is communicating with CWWDA on this issue.	Ongoing	June 2023.
18. Unconfirmed Trade and other Receivables balance	<ul style="list-style-type: none"> <li>▪ Provide age analysis and debtors conformation balances to support the outstanding balance.</li> <li>▪ Provide debtors confirmation to support the outstanding balances</li> </ul>	The management acknowledges not providing debtors circulation to support outstanding balances but it will ensure it circularize it debtors for debtors' confirmation.	Ongoing	June 2023.
19. Retirement above age 60 years	The company should follow the law and retire its employees as and when they reach the mandatory retirement age.	Majority of staff's national identity cards do not indicate the date and month of birth which poses a difficulty in determining the date and month of retirement.	Closed	
20. Un-explained variance on new connection charges	<ul style="list-style-type: none"> <li>▪ The management to explain the variance between the amount billed and the amount disclosed in the financial statement.</li> </ul>	The management acknowledges that this was an error. A journal entry has been passed and financial statements amended.	Closed	
21. Excess employer contribution	<ul style="list-style-type: none"> <li>▪ he amount of pension to</li> </ul>	The Management has been deducting pension from its	Closed.	

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	be deducted should be based on the basic salary alone	employees in accordance with the company's Human resource policy manual chapter 17.4.		
22. Receipts not recorded in cashbook	<ul style="list-style-type: none"> <li>▪ Reconcile the unrecorded amount of Kshs. 167,412,015.</li> <li>▪ All receipts should be recorded in the cashbook</li> </ul>	The management has attached cashbooks for your review and more clarification.	Closed	
23. Unachieved Revenue targets.	<ul style="list-style-type: none"> <li>▪ The entity should develop and implement strategies to increase revenue</li> </ul>	The Budgeted Revenue in the YR18/19 was not achieved due to High levels of NRW as the major contributor. During the period under review, the NRW was at 51%.	Ongoing	June 2023.
24. Misstatement of sale of water.	<ul style="list-style-type: none"> <li>▪ Reconcile the variance of Kshs. 426,223 between the amount disclosed financial statement balance and the billed amount.</li> </ul>	The management has reconciled the variance and a journal entry has been passed to correct the overstatement and financial statement amended.	Closed	
25. Unaccounted for water.	<ul style="list-style-type: none"> <li>▪ Strategies to be developed to reduce the high Unaccounted for water 4,980,687 cubic meters that represents 50.8% of water received and lost.</li> </ul>	Non-Revenue Water is occasioned by several factors that sometimes may be unavoidable. During the year under review the NRW as indicated was 51% and this was attributed by Under-estimation and	Ongoing	June 2023.

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		Physical losses.		
26. Budget Controls and Performance	<ul style="list-style-type: none"> <li>The management should establish realistic mechanisms for coming up with realistic budgets. Explain the circumstances and reasons why the planned targets were not met</li> </ul>	To mitigate the risk above, the company has procured an accounting system which will help in monitoring expenditure as well as give accurate report which will help in budget preparations.	Ongoing	June 2023.
27. Loss Due to Underestimation	<ul style="list-style-type: none"> <li>Provide evidence to confirm the basis of water bills estimates issued to customers. The company should adhere to the policy on estimation of water bills to prevent the risk of underestimation leading to loss of revenue.</li> </ul>	Management adheres to the policy on billing on estimate where needed arises. The estimated billing is actually based on three previous months' actual meter readings running averages.	Closed	
28. Unbilled Customers	<ul style="list-style-type: none"> <li>Explain and provide evidence of the status of 9,089 water meters not billed and not disconnected by the company or explain the estimated loss Kshs. 17,856,076</li> </ul>	The 9,089 meters are on cut off(disconnected) and are not billing. At the close of June 2018, the total number of active accounts were 22,122 and all of them were billed.	Closed	
29. Work in progress.	<ul style="list-style-type: none"> <li>Wrong treatment of assets which may be in use but disclosed as WIP.</li> </ul>	The management will ensure that the building is completed to ensure its capitalized	Closed.	


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	WIP.			
30. Administrative services procurement.	<ul style="list-style-type: none"> <li>▪ All purchases above Kshs. 10,000 should not be done in cash.</li> </ul>	These items were procured on cash basis as piece mill low value items which were very important and frequently used in the company's core water supply operations and other key support activities.	Closed	
Corporate Governance	<ul style="list-style-type: none"> <li>▪ The company to hold AGM since no such meeting has been held since 2012.</li> <li>▪ Directors who have held office since 2013 to retire as per the company memorandum and articles of association guideline.</li> <li>▪ Appointment of the company chairman.</li> </ul>	<p>AGM was held in 2019</p> <p>The directors retired and new ones are now holding office.</p> <p>The company board chairman was appointed amongst the new directors.</p>	<p>Closed</p> <p>Closed</p> <p>Closed</p>	

**Guidance**

- (i) References used or numbers are as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

**Managing Director**

Date: .....  4/03/2024

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**Appendix ii. Projects Implemented by the Company**

**Project implemented by the Company funded by development partners.**

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidat in these financial statements (Yes/No)</b>
BAMBA MIDOINA WATER PROJECT	RUP/CPI/I/W/003/003	Water Sector Trust Fund(WSTF)	3 YEARS	Project completed and commissioned	YES	YES
BAMBA PUBLIC SANITATI ON FACILITY PROJECT	RUP/CPI/I/I/S/003/011	Water Sector Trust Fund(WSTF)	3 YEARS	Project completed and commissioned	YES	YES