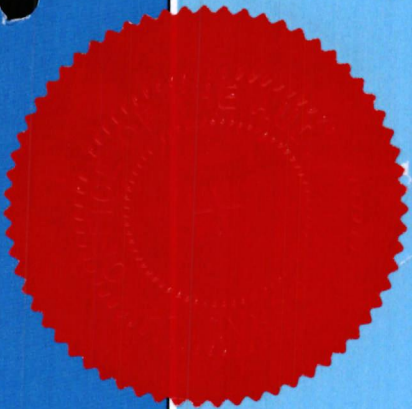


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REPORT

OF

THE AUDITOR-GENERAL

ON

**MERU WATER AND SEWERAGE
SERVICES REGISTERED TRUSTEES**

**FOR THE YEAR ENDED
30 JUNE, 2021**





MERU WATER AND SEWERAGE SERVICES

REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

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**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

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TRUST INFORMATION

INCORPORATION

Meru Water & Sewerage Services Registered Trustees (MEWASS) is incorporated under The Trustees (Perpetual Succession) Act Cap 164, of the Laws of Kenya. An irrevocable declaration of Trust was made in April 2001 between Ministry of Environment and Natural Resources and Meru Municipal Council on the one hand and the Trustees of MEWASS on the other, effectively transferring the duty of water and sewerage provision from the Ministry and Council to MEWASS. The Constitution of Kenya 2010 under the Fourth Schedule placed water and sanitation services to the County governments. Consequently, the Transition Authority vide Gazette Notice no. 154 of 9th August 2013, transferred water service provision including water, sanitation and sewerage companies to the County Government of Meru.

PRINCIPAL ACTIVITIES

The principal activity of the Trust is to provide water and sanitation services within its area of jurisdiction

VISION STATEMENT

A model, world-class provider of water and sanitation services

MISSION STATEMENT

To sustainably provide quality, reliable and affordable water and sanitation services to the residents of Meru County leveraging on modern technology

CORE VALUES

- * Integrity
- * Professionalism
- * Team work
- * Innovativeness
- * Transparency
- * Inclusiveness
- * Customer service
- * Environmental and climate change consciousness

THE BOARD

Mr. Mworja Mugambi	Joined 16th May 2018
Mr. Kabii Chabari	Joined 16th May 2018
Ms. Elizabeth Kanini	Joined 16th May 2018
Mr. Harun Kanathi	Left 13th May 2020
Mr. Jackson Muthamia	Joined 13th May 2020
Mr. Joseph Mberia	Joined 1st August 2018 Secretary to the Board

SECRETARY

Mr. Joseph Mberia
P.O. Box 859 60200
MERU

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Situated along Kinoru -Stadium Road
P.O. Box 859 60200
Tel: 064-3132591, 0717527707
Fax: 064-3132603
E-mail: info@mewass.or.ke
Website: www.mewass.or.ke
MERU

BANKERS

Standard Chartered Bank of Kenya
Meru Branch
P.O. Box 109 - 60200
MERU

Equity Bank Ltd
Meru Branch
P.O. Box 400 - 60200
MERU

INDEPENDENT AUDITORS

Office of the Auditor-General
P.O. Box 30084 - 00100
NAIROBI

PRINCIPAL LEGAL ADVISORS




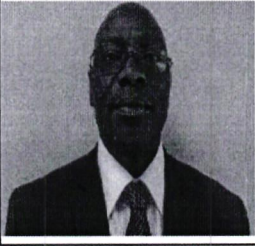
The Attorney General
State Law Office
P.O. Box 40112-00200
NAIROBI



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

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THE BOARD OF DIRECTORS




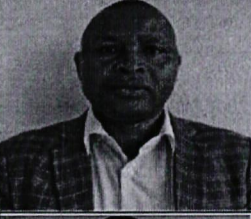


Photo	Name and Qualifications	Date of Birth and Experience
	Dr. Mugambi Mworia Ph.D (Range Science), Msc (Range science), Bsc.Ecology	Date of Birth 1953 Senior Lecturer and Chairman Department of Agriculture Kenya Methodist University Chairman Eastern Conservancy Kenya Forest Services Associate consultant, Publix (Africa) Ltd
	CPA Joseph Kabii Chabari MBA(Finance), BBA(Accounting), CPA(K)	Date of Birth 1982 Chief Officer Finance and Economic Planning, Chief Accountant National Treasury Mbooni Sub County January 2008 to December 2017
	Mr. Jackson Muthamia B.Sc (Hon)Geospatial Engineering	Date of Birth 1984 Ag. Chief Officer Water and Irrigation- County Government of Meru.(May 2020 to date) Director water and irrigation 2017-2020 Head of survey and drilling unit 2016-2017 Acting Director Environment and Natural Resources 2015-2016
	Ms. Elizabeth Kanini Dip. Business Management	Date of Birth 1974 Formerly nominated MCA from 2013 to 2017, Land Control Board Member from July 2007 to June 2014, Worked at Meru North Farmers SACCO.
	Mr. Joseph Kithure Mberia B.Arts (Social Sciences), Dip Business Management/Administration, Principles of Modern Management, Sales Management and Marketing	Date of Birth 22nd December 1965 General Manager – Commercial Division Resorts and Cities Limited from October 2014 to June 2017 , Various Managerial Posts-Nestlé Kenya Ltd 2004 to May 2012



**MERU WATER AND SEWERAGE SERVICES
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FOR THE YEAR ENDED 30TH JUNE 2021**

THE MANAGEMENT TEAM

Photo	Manager's Name and Qualifications	Date of Birth and Experience
	Mr. Robert K. Miruri General Manager Masters Degree in Project Planning and Management	Date of Birth 20/11/1957 Over 30 years experience in Water Design & Management of projects and programmes
	CPA Lydiah Mukami Kinoti Finance Manager BCOM Accounting, CPA(K)	Date of Birth 17/04/1979 Over 15 years experience in Accounting & Commercial services
	Mr. Antony Kamau Mburu Technical Services Manager BSC.Civil Engineering	Date of Birth 19/08/1974 Over 10 years experience in water engineering Over 5 years in project supervision and management
	Patrick Mugendi Kwiriga, Human Resource Manager BBS,Development studies, Dip.Human Resource Management	Date of Birth 29/12/1977 Over 10 years experience in Administration
	CPA Joses Muriuki Gitonga Internal Audit Manager BBA Acc & Fin, CPA(K)	Date of Birth 04/12/1972 Over 20 years experience in Audit and Accounting
	Mr. Meckson Kinyua Musyoka Procurement Manager BBM, Dip Supplies Management	Date of Birth 05/11/1984 Over 8 years experience in Procurement Management



**MERU WATER AND SEWERAGE SERVICES
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**Annual Reports and Financial Statements
For the year ended June 30 2021**

CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021

It is my pleasure to present the financial statements for the 2020-2021 for the Meru Water and Sewerage Services. The financial statements are the yardstick which measures the financial performance of the company for the period in review. Despite the challenges occasioned by Covid-19 pandemic we continued to provide water as the commodity become critical in minimizing the infection rates. The public health continues to advise citizens to properly wear masks and regularly wash their hands in order to minimize the spread of Covid-19.

The company being the licensed water service provider within the area of jurisdiction went extra mile to ensure that customer needs are satisfied through provision of clean water.

Financial Performance

The company continued to provide services albeit hard economic times due to the devastating impact of Covid-19 which led to the closure of our major institutions following restrictions of movement in order to reduce transmission of the virus. The major customers who form the bulk of our clientele are institution customers made up hotels, public institutions and so on. These institutions reduced their activities and some closed. Public events were restricted hence reduction of water consumption. This led to decline in turnover by 3.5 percent from Kshs 188.4 million to Kshs 181.8 million as compared to the previous financial year. In order to cushion water service providers, the Water Sector Trust Fund disbursed Kshs 28.3 million as a conditional grant. The funds were utilized as per the terms and conditions attached thereto.

Water Infrastructure

During the period in order to intervene the effects of Covid-19, the company embarked on addressing water coverage and improvement of distribution lines by utilizing the grants received from the Water Sector Trust Fund. The project undertaken includes laying of new water distribution pipeline of 110mm covering 1.6 kilometres up to Gikumene to serve 237 households translating to 1185 persons. Similarly, at Rwanyambo, a 1.3 kilometre water pipeline to serve 298 households translating to 1490 persons has been installed.

Another water distribution pipeline has been laid at Mukongorone-Rurine to serve 851 persons while another 90mm HDPE pipeline has been extended by 4 kilometres in addition to 110 mm HDPE pipeline of 2 kilometres from Thimangiri on the way to Giaki to serve 309 households translating to 1,545 persons.

In addition to 63mm of 2 kilometres, a 40mm pipeline on 1.5 kilometre stretch is being installed to serve 266 households at Ngiine translating to 1,330 persons.



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**Annual Reports and Financial Statements
For the year ended June 30 2021**

**CHAIRMAN'S STATEMENT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2021
CONT'D**

Performance Ranking

A performance report by the Water Services Regulatory Board ranked the company position 3(three) nationally an improvement from position 4(four) the previous period. The company maintained position one in the large category. The water service provision is governed by the Water Act 2016. Consequently, during the year the company successfully applied for the water service provision licence.

In order to continue providing services to the existing and new customers, we have to deliberately make significant investments in the water infrastructure to increase the supply of water as envisaged in the 5(five) year Strategic Plan which was developed during the year. The development of the Strategic Plan involved all the stakeholders in the water sector in the Meru County and Nationally.

On behalf of the Board of directors, I would like to thank our customers , development partners especially, the Water Sector Trust Fund for their financial support during the year, Japanese international Corporation Agency for donating water treatment chemicals during the year and the County government of Meru for providing us enabling environment.

Finally, I acknowledge our suppliers, management and staff for their contributions during the year.

Thank you

***Dr Mworia Mugambi
Chairman of the Board,
Meru County Urban Water & Sanitation Services Corporation***



**MERU WATER AND SEWERAGE SERVICES (MEWASS)
REGISTERED TRUSTEES
Annual Reports and Financial Statements
For the year ended June 30 2021**

REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 30TH JUNE 2021

The Financial year 2020/2021 saw us continue to discharge our cardinal mandate of provision of water and sewerage services within the Meru town urban set up and its environs. I am pleased to report the activities that were carried out within the year as here below indicated.

FINANCE

The operating income reduced by Kshs. 6,663,533.00 within the year under review from Kshs. 188,497,164 (2019/2020), to Kshs. 181,833,631.(2020/2021) However the utility was able to meet its operating costs after receiving a total of Kshs. 33,002,086.00 i.e Kshs. 28,369,235.00 for operations and 4,692,851 for chemicals from WSTF that was meant to cushion us from the impact of the covid 19 pandemic.

CAPITAL INVESTMENT

Within the period under cover the utility undertook various piping extensions all, with a view of improving the water service provision within our area. To mention but a few, is the Rwanyambo, Giaki and Gikumene pipeline extensions. Within the year also various repairs were carried out, especially those touching on reinstatement of the lines and sections destroyed while carrying out the road constructions.

WATER QUALITY

Although, the utility experiences high turbidities during the wet seasons, through the efforts of the relevant team we managed to maintain both bacteriological and other parameters within the required standards as prescribed by the WASREB.

SEWERAGE TREATMENT FACILITIES

The old sewerage treatment facility is still operating in an overstretched capacity. However, a relief will be gotten after the completion of the new ongoing sewerage treatment plant which was about 30% by the end of the financial year 2020/2021.

The new sewerage treatment plant is financed by the National Government through Tana Water Works Development Agency.



**MERU WATER AND SEWERAGE SERVICES (MEWASS)
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**Annual Reports and Financial Statements
For the year ended June 30 2021**

**REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 30TH JUNE 2021
CONT'D**

NON REVENUE WATER (NRW)

The utility has been able to maintain the Non-Revenue Water benchmark level of within the one set by the WASREB with the latest figure of 19% as per the impact report No. 13. The sustained NRW within the WASREB benchmark level has helped the utility be able to finance its operations without much difficulties.

TECHNOLOGY

Within the year under review the utility has been able to acquire an integrated management system which has really spurred the organization in terms of timely meter reading direct in putting

CONCLUSION

Let me register my sincere gratitude and appreciation to all our good customers, all other stakeholders and the entire public for the support without which we could not have made success. Unreserved thanks also go to all members of staff for their tireless support and handwork which credit we all cherish as we continue to deliver the service.

Let me also express recognition and my special thanks to our Chief Executive Officer and the entire Board of Directors for spearheading the organization to this far.


Robert K. Miruri
General Manager,
Meru Water & Sewerage Services (MEWASS)



**MERU WATER AND SEWERAGE SERVICES (MEWASS)
REGISTERED TRUSTEES**

**Annual Reports and Financial Statements
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**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the county government entity's performance against predetermined objectives.

The Trust has strategic pillars and objectives within its annual work plans for the FY 2020/2021.

These strategic pillars are as follows:

Pillar 1: Operation efficiency and customer service

Pillar 2: Financial sustainability

Pillar 3: Corporate Governance

The assessment of the Board's performance against its annual work plan is done on a quarterly basis. Meru water and Sewerage Services continued to implement its performance targets set for the FY 2020/2021 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements	Performance
1.Operation efficiency and customer service	Reduce operational Cost.	Improved efficiency and institutional performance	Streamlining business processes and enhance internal controls	All unnecessary operations of the organization are eliminated	Ranked number 1 in large category-13 th Impact report
Performance Contracts	To improve efficiency and effectiveness of functional activities	Improved performance	Implementation of the performance contract	Targets achieved	Signing of performance contracts
	Change of filter media sand	More water is availed to customers	Improve water treatment efficiency of the treatment works	Replaced filter media	Less customer complaints



**MERU WATER AND SEWERAGE SERVICES (MEWASS)
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	Replacement of butterfly valves at Milimani Treatment plant	More water is availed to customers	Supply of more water	Replaced butterfly valves in the water treatment plant	Reduced leakages hence more supply
2.Financial sustainability	Increase collection efficiency	Increased collection efficiency by 0.5% per year	Encourage customers to settle bill on time to avoid disconnection	Increased willingness to pay Timely payments from customers	Collection efficiency of 90%
	To improve financial accountability systems	Smooth running Systems Timely and accurate reports	Complete the integration of the financial system Review and improve internal controls of ERP system	Integrated system in place	Procurement of IMIS software
3.Corporate governance	To strengthen the capacity of the board Promote good corporate governance practices	Best corporate governance practices Succession management policy in place	Develop annual work plans for the board. Develop a succession management policy	Stability and smooth Transition in leadership	Best corporate governance practices



MERU WATER AND SEWERAGE SERVICES (MEWASS) REGISTERED TRUSTEES

Annual Reports and Financial Statements For the year ended June 30 2021

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30TH JUNE 2021

Corporate governance structure ensures that the directors act with high standards of corporate behavior and in the best interests of the stakeholders. The board of directors comprises of four members. The Chief Executive sits in the board as an ex-officio and as a secretary. The board is responsible for the overall corporate governance and approves strategic directions and budgets. On the other hand the management ensures that all statutory requirements are complied with and the internal control systems are in place and operate effectively.

The newly appointed directors meet the management team and are offered an opportunity to visit the infrastructure and relevant installations to familiarize themselves with the trust. They are provided with briefing materials, copy of trust deed and key policy documents to introduce and explain their roles. They later sign a code of conduct signifying the manner and behavior in performing their responsibilities while serving the Trust. The members have skills and experience to perform relevant functions as directors. The Board has three committees namely: Technical, Finance & Administration & Audit Committee.

The Board in consultation with the management develops strategic directions for annual and long-time period. The management provides quarterly progress reports to the Board to enable it monitor the performance.

Finance & Administration Committee

The committee secretary is the Finance Manager. The committee is chaired by CPA Joseph Chabari and includes the directors Elizabeth Kanini and Jackson Muthamia. Each director is expected to have experience in management skills necessary to discharge his /her duties. The committee supports and assists the Board to effectively and efficiently discharge finance activities, human resource & administration, information and communication technology. The committee receives and reviews reports on the financial performance, annual budget, quarterly reports, and changes to the water tariff and so on. The committee ensures that adequate plans, policies and programs are in place to promote effectiveness, integrity and security of MEWASS information technology systems and their operations.

Technical Committee

The committee secretary is the Technical Manager. The committee is chaired by Jackson Muthamia and includes the directors Ms.Elizabeth Kanini and Dr.Mugambi Mworio.Each member of the committee is expected to have general familiarity with the technical aspects of the water and sanitation industry necessary to undertake the committee's responsibilities to oversee MEWASS technical activities. The committee advises the board on technical matters involving MEWASS internal and external projects.



MERU WATER AND SEWERAGE SERVICES (MEWASS) REGISTERED TRUSTEES

Annual Reports and Financial Statements For the year ended June 30 2021

Audit Committee

The committee secretary is the Internal Auditor. The committee is chaired by Jackson Muthamia and includes the directors Joseph Chabari and Elizabeth Kanini. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the Trust's financial reporting principles and policies, controls and procedures and its auditing activities. The audit committee meets and reviews report from the Auditor General and major findings on internal audit and investigations and considers the management response or actions thereto.

Water Sector Reforms

The constitution of Kenya 2010 devolved the provision of water services to the county governments. Consequently, the County Assembly of Meru passed a bill to provide for developments, regulation and management of County public works related to water and sanitation services. The Act provides the creation of Meru County Urban Water and Sanitation Corporation to be the successor to MEWASS and IMETHA. The Corporation is responsible for the provision of water and sanitation services in the urban settlement within Meru County.

During the financial year 2020/2021 the board attended the following meetings:

NAME OF THE TRUSTEE	FULL BOARD MEETING		NAME OF THE COMMITTEE	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Dr. Mworira Mugambi	5	5	Finance & Admin	3	3
			Technical Committee	3	3
			Audit Committee	3	3
CPA Joseph Chabari	1	5	Finance & Admn	0	4
			Audit Committee	0	4
Jackson Muthamia	5	5	Finance & Admn	4	4
			Technical Committee	4	4
			Audit Committee	3	3
Elizabeth Kanini	5	5	Finance & Admn	4	4
			Technical Committee	3	3
			Audit Committee	4	4
* CPA Francis Mungai	4	5	Finance & Admn	4	4
			Audit Committee	3	4
Joseph Mberia	5	5	Finance & Admn	4	4
			Technical Committee	3	3
			Audit Committee	4	4

*The person named is alternate director to CPA Joseph Chabari.



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**Annual Reports and Financial Statements
For the year ended June 30 2021**

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to present the annual financial statements of the Meru Water and Sewerage Services for the twelve months period ended 30 June 2021. In the period the Trust recorded a deficit after tax of Ksh 2.6 million compared to a surplus after tax of Ksh 16 million in the previous financial year.

Operating performance

The Trust's core mandate is to provide portable water in the Meru Municipality and the surrounding areas. The production capacity for both water plants is 15000³cubic meters per day. Water produced from the available raw water is 8336m³ per day. The existing unused treatment capacity will be utilized by laying new raw water mains in the coming financial year to address the current and future demand for water services.

Financial performance

The year 2020-2021 financial performance has shown decline in turnover by 3.5 percent from Kshs 188.4 million to Kshs 181.8 million as compared to the financial year 2019-2020. This can be attributed to the Covid-19 pandemic which has continued to render devastating effects to the global and national economies.

The water billed to the consumers during the period amounted to Ksh 141 million. The existing sewerage plant serves a fraction of the customers within 0.8 kilometres radius. The sewer billing which is charged at 75 percent of water consumed was Ksh 25.2 million. The bottled water earned ksh 7.8 million while other revenues had 7.6 million. Other Income which includes new connection fees, Interest earned on fixed deposit amounts to Ksh 8.3 million and Ksh 3.4 million respectively. The income from exhaustor services amounts to Ksh 3.8 million. The other income amounting to Ksh 0.6 million is made up of bowser water sales and miscellaneous income.

The Trust's operating expenses of Ksh 193 million for the financial year 2020-2021 (excluding depreciation and amortization of intangible assets) were Ksh 24.4 million higher than in financial year 2019-2020. This was largely due to increased administrative and establishment costs.



MERU WATER AND SEWERAGE SERVICES REGISTERED TRUSTEES

Annual Reports and Financial Statements For the year ended June 30 2021

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

Grant in Aid

During the period the Trust received conditional grant amounting to Ksh 28.3 million. The funds were utilized for development expenditure sum of Ksh 16 million and Ksh 12.3 million for recurrent expenditure. Similarly, the Japanese international Corporation Agency donated water treatment chemicals worth Ksh 4.6 million. The overall objective was to cushion water service provider against Covid-19 effects.

Risk Management

The Trust obtains water from the catchment which has witnessed upsurge of water abstraction hence causing rivers to dry. Also the volume and quality of water from the catchment has been affected by the farming activities upstream. Similarly, during rainy seasons the company receives muddy water which is untreatable. In order to address the problem the Trust has been actively pursuing alternative sources of water to meet user demand.

The other major risk is supplying water to upper zones through pumping system. Power failures disrupt both water treatment processes and pumping system to the upper supply areas of Makutano town and surrounding areas. The option of having solar powered system versus standby emergency power supplies will be considered.

Tariff Review

The Trust applied for the renewal of operating license pursuant to the Water Act 2016. The license conditions require the Water Service provider to have a valid water tariff. The tariff for the billing of services in use is already expired. Consequently, application for the new tariff is underway. This will make it possible for the Trust to fund operations and develop infrastructure hence improve service delivery.

Compliance with Regulatory Requirements

The Trust operates under the regulatory regime. The Trust being a public entity adheres to the Constitution of Kenya 2010 and other enabling laws.



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**Annual Reports and Financial Statements
For the year ended June 30 2021**

**ENVIRONMENTAL AND SUSTAINABILITY REPORTING FOR THE YEAR ENDED 30th
JUNE 2021**

The Trust recognizes that it has responsibility to all stakeholders which includes the interests of customers, community and the employees. There is need for the Trust to foster amicable relationship with all the stakeholders, taking into consideration the impact of the Trust's operations on the local communities and the surrounding environment where it operates.

i) Sustainability strategy and profile

The sustainability of the company is dependent on the following key factors

- ✓ *Water sources*
- ✓ *Collection and distribution infrastructure*
- ✓ *Water production levels*
- ✓ *Water distribution efficiency*
- ✓ *Value of non-revenue water (water loss)*
- ✓ *Political support/goodwill from the County*

ii) Environmental performance

The company acknowledges the critical role of climatic environment (weather and weather patterns) as a foundation for our existence as a corporate. The Trust relies on the environment which provides water which is abstracted, treated and transmitted via pipeline to respective customers hence its conservation is crucial for sustainability. This is done by ensuring the conservation levies are remitted to the respective institutions.

On sewer management, the trust prioritizes and minimizes impact on the environment through environmentally responsible management and adherence to relevant statutory standards, most particularly with the sewerage treatment and disposal.

The trust continues to encourage energy conservation through use of energy efficient lighting within its offices and has installed power factoring systems in the water pumping system for power factor correction. The water treatment plant also uses certified chemicals in dosing the system.

In the coming years the management endeavours to commit more resources on environmental promotion and conservation activities.

iii) Employee welfare



**MERU WATER AND SEWERAGE SERVICES
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The Trust recognises that health, safety and training, play a key role in ensuring our employees commitment to responsibility in the workplace and a working environment in which personal and employment rights are upheld.

During the year an amount of kshs.8.5 million was spent to take care of the health of the employees with their immediate family members through procurement of a medical insurance cover scheme. Similarly, the Trust facilitated the employees for a capacity building. The key objective was to build cohesion as well as foster the MEWASS values and inspire staff to embrace positive change.

Effective policies and procedures are aligned with the trust needs and the encouragement of good communication process to assist in timely and consistent delivery of relevant information to employees. The employees are provided with personal protection equipment during their daily working routine. The trust provides equal opportunity to all employees and job applicants.

During the covid-19 pandemic, the employees were provided with masks, sanitizers and soap to contain the disease.

iv) Market place practices-

The company aspires to be a responsible open and trustworthy market player. In this regard the company ensures that all its commercial transactions are undertaken openly fairly and to the best interest of the parties involved.

a) Responsible competition practice.

Responsible Competition practice is about making sustainable development count in global and local markets. It means markets that reward business practices that deliver improved social, environmental, and economic outcomes. The entity is committed to competition practices to its customers and stakeholders

b) Responsible Supply chain and supplier relations

The company acknowledges the importance of managing suppliers through prompt payment. We endeavour to pay supplier invoices within the credit given by our suppliers. Where the company is unable to meet these obligations on due dates, we pro-act by notifying suppliers of the intended delays and communicate in writing alternative payment plans.

c) Responsible marketing and advertisement

The company, while publicising its products, ensures that our marketing and advertisements campaigns are conducted using fair language, are morally upright and adhere to other fair advertising and marketing practices.



**MERU WATER AND SEWERAGE SERVICES
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d) Product stewardship

Product stewardship is an approach to managing the environmental impacts of different products and materials and at different stages in their production. The Company has a responsibility to reduce the environmental and human health and safety impacts on the products that are generated. The company has set up a committee that oversees the safety of disposal of certain items to keep the environment clean.

Corporate Social Responsibility / Community Engagements

The entity views Corporate Social Responsibility as an integral part of the brand image, believing that the customers will more likely do business with a brand that they perceive to be more ethical.

During the course of its business activities the Trust seeks to make a positive impact on the community in which it operates. The Trust participated in support of the institutions programs by providing bottled water for the activities they were undertaking. In the year under review, the Company donated 30 crates of bottled water during the world water day celebrations at Kibirichia Boys, Meru School for the mentally and Chaaria DEB on education day.

MEWASS has continued to engage with its customers so as to interact and come up with lasting solutions affecting them by providing and delivering helpful professional service all the time. For instance our customers are always notified in cases of any interruptions of their water supply through short message services as well as radio announcements.

MEWASS has got a website whereby our customers are advised on water saving tips. New customers can also download the application forms at the comfort of their places. This has helped MEWASS build strong relationships with the customers who are the key persons in the organization.

The customer charter which is displayed at the customer care desk presents clearly how MEWASS has been keen on handling the matters that concern them.



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

REPORT OF THE DIRECTORS

The Directors submit their eighteen report and the audited financial statements for the year ended 30th June 2021 which show the state of the Trust's affairs.

1. PRINCIPAL ACTIVITIES

The principal activities of the Trust are the provision of water and sewerage services within the Meru Municipality and its environs.

2. RESULTS

The results for the year are set out on page 11.

3. DIRECTORS

The board members who served during the year are shown on page ii.

4. AUDITORS

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

By order of the Board of Directors

 Secretary



21/06/2022



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Directors are responsible for the preparation and presentation of the Trust's financial statements, which give a true and fair view of the state of affairs of the Trust for the year ended on 30th June 2021.

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 Trust;
- (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 Trust;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Trust's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Trust Deed registered under the Trustees (Perpetual Succession) Act Cap 164, of the Laws of Kenya. The Directors are of the opinion that the Trust's financial statements give a true and fair view of the state of Trust's transactions during the financial year ended June 30, 2021, and of the Trust's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Trust, which have been relied upon in the preparation of the Trust'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 twelve months from the date of this statement.

Approval of the financial statements

The Trust's financial statements were approved by the Board of Directors on **28th September, 2021** and signed on its behalf by :

DR. MWORIA MUGAMBI

DIRECTOR.....)

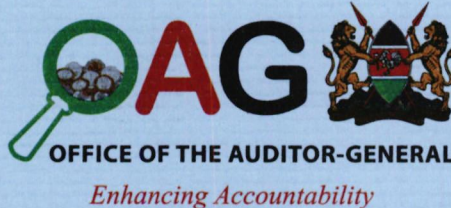
) **21st June 2022**

MR. JOSEPH MBERIA

C.E.O.....)

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MERU WATER AND SEWERAGE SERVICES REGISTERED TRUSTEES FOR THE YEAR ENDED 30 JUNE, 2021

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 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 Meru Water and Sewerage Services Registered Trustees set out on pages 11 to 30, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit and loss and other

Report of the Auditor-General on Meru Water and Sewerage Services Registered Trustees for the year ended 30 June, 2021

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Meru Water and Sewerage Services Registered Trustees as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unaccounted for Inventories

The statement of financial position reflects inventories balance of Kshs.5,736,941 and as disclosed in Note 15 to the financial statements. However, review of the stock movement ledger revealed that various items with no values, were recorded in the stock ledger but excluded from end of year stock count reports.

In the circumstances, the completeness and accuracy of the inventories balance could not be confirmed.

2.0 Unexplained Debit Payables and Accruals Balances

The statement of financial position and the corresponding Note 20 to the financial statements reflects payables and accruals balance of Kshs.113,645,448 which includes trade payables of Kshs.61,803,523. However, review of the supporting schedules for trade payables revealed the balance included items with debit balances totalling Kshs.224,301. No explanation was given for this anomaly.

In the circumstances, the accuracy of the Kshs.61,803,523 in respect to trade payables as at 30 June, 2021 could not be confirmed.

3.0 Long Outstanding Trade Receivables

As previously reported, Note 16 to the financial statements reflects gross trade receivables balance of Kshs.80,182,084 which includes balances totalling Kshs.71,444,986 that fell due between the years 1992 and 2005. However, no evidence was provided of efforts to recover or write off the overdue debts, contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which requires that entities pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the county government are collected and banked promptly.

In the circumstances, the recoverability of the debtors balance of Kshs.71,444,986 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru Water and Sewerage Services Registered Trustees 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.

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 Information

The Directors are responsible for the other information, which comprises the Chairman's statement, report of the directors, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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 matter 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

Non-Compliance with Staff Ethnic Diversity

The statement of profit and loss and other comprehensive income reflects administration and establishment expenses amounting to Kshs.97,158,565 which includes salaries, wages and allowances of Kshs.55,172,463 and directors fees and allowances of Kshs.2,763,198 as disclosed in Note 8(a) to the financial statements. However, review of employees records revealed that one hundred (100) out of one hundred and six (106) employees or 94% of the employees were from one dominant community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that all public establishments reflect the diversity of the people of Kenya in the employment of staff and 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.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 the 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trustees's ability to continue as a going concern or to sustain its services. 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 Trustees to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 July, 2022



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2021

	Notes	2020-2021 <u>Kshs</u>	2019-2020 <u>Kshs</u>
TURNOVER	6	181,833,631	188,497,164
Other Income	7	<u>34,728,590</u>	<u>17,362,219</u>
Total Operating Income		216,562,221	205,859,382
EXPENSES:			
Administration and Establishment	8(a)	(97,158,565)	(81,379,044)
Selling and Distribution	9	<u>(87,910,673)</u>	<u>(87,385,056)</u>
Depreciation of property, plant and equipment	8(b)	(18,719,605)	(18,324,622)
Amortisation of intangible assets	8(c)	(3,706,121)	(180,960)
		<u>(207,494,963)</u>	<u>(187,269,683)</u>
Surplus/(Deficit) from Operating Activities		9,067,258	18,589,700
Net Finance Costs	10	<u>(143,269)</u>	<u>(131,297)</u>
Surplus/(Deficit) Before Taxation		8,923,989	18,458,402
Taxation	12(a)	<u>(589,527)</u>	<u>(2,420,495)</u>
Surplus/(Deficit) after Taxation		<u>8,334,462</u>	<u>16,037,908</u>



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	2020-2021 <u>Kshs</u>	2019-2020 <u>Kshs</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment	13	220,127,370	209,557,159
Intangible assets	14	8,647,616	5,141,741
		<u>228,774,986</u>	<u>214,698,899</u>
CURRENT ASSETS			
Inventory	15	5,736,941	7,599,200
Receivables and prepayments	16	75,813,117	63,351,547
Tax asset	12(c)	8,402,384	8,477,916
Cash and cash equivalents	17	76,898,298	74,183,862
		<u>166,850,740</u>	<u>153,612,526</u>
CURRENT LIABILITIES			
Consumer deposits	19	46,890,478	44,047,229
Payables and accruals	20	113,869,749	112,310,952
		<u>160,760,226</u>	<u>156,358,181</u>
WORKING CAPITAL		<u>6,090,514</u>	<u>(2,745,655)</u>
NET ASSETS		<u>234,865,499</u>	<u>211,953,244</u>
FINANCED BY			
Grants	18	791,245	911,297
Revenue reserves		203,672,297	195,337,835
		<u>204,463,542</u>	<u>196,249,132</u>
NON-CURRENT LIABILITY			
Deferred grant income	24	30,401,957	15,704,112
TOTAL		<u>234,865,499</u>	<u>211,953,244</u>

The financial statements were approved by the Board of Directors on 28th September, 2021 and signed on its behalf by;

MR. JOSEPH K. MBERIA JOV CHIEF EXECUTIVE OFFICER)
 CPA LYDIAH MUKAMI FINANCE MANAGER Lydia M. Mukami) 21/06/2022
 (M/No.22817)
 DR. MWORIA MUGAMBI CHAIRMAN OF THE BOARD)



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

		Revenue Reserves	Total
		<u>Kshs</u>	<u>Kshs</u>
At at 30th June 2019		<u>179,299,927</u>	<u>179,299,927</u>
At 1st July 2019		179,299,927	179,299,927
Surplus/(Deficit) for the year		16,037,908	16,037,908
At at 30th June 2020		<u>195,337,835</u>	<u>195,337,835</u>
Surplus/(Deficit) for the year	12(d)	<u>8,334,462</u>	<u>8,334,462</u>
	12(e)		
At at 30th June 2021		<u>203,672,297</u>	<u>203,672,297</u>



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021 <u>Kshs</u>	2019-2020 <u>Kshs</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) before taxation		8,923,989	18,458,402
Adjustments for:			
Depreciation	13	18,719,605	18,324,622
Deferred income	7	(1,480,449)	(1,757,175)
Amortisation of intangible assets	14	3,706,121	180,960
Interest Income	7	(3,426,631)	(3,396,534)
		<u>17,518,646</u>	<u>13,351,873</u>
Surplus/Deficit before changes in working capital		26,442,635	31,810,275
Changes in Working Capital			
Increase/Decrease in Inventory		1,862,260	(1,339,704)
Increase/Decrease in Receivables and prepayments		(12,461,571)	26,762,332
Increase in Consumer deposits		2,843,249	3,303,274
Increase in Payables and accruals		<u>1,558,798</u>	<u>1,745,742</u>
		<u>(6,197,264)</u>	<u>30,471,644</u>
Cash Generated from Operations		<u>20,245,371</u>	<u>62,281,919</u>
Taxation Paid	12(b)	(513,995)	(509,480)
Net cash generated from operations		<u>19,731,376</u>	<u>61,772,439</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Intangible assets	14	(7,211,996)	(4,719,500)
Purchase of fixed assets	13	<u>(29,289,816)</u>	<u>(15,982,600)</u>
Net cash used in investing activities		<u>(36,501,812)</u>	<u>(20,702,100)</u>
Financing Activities			
Interest received	7	3,426,631	3,396,534
Deferred grant income	24	16,058,242	-
Net cash generated from financing activities		<u>19,484,873</u>	<u>3,396,534</u>
INCREASE /(DECREASE)IN CASH AND CASH EQUIVALENTS		<u>2,714,437</u>	<u>44,466,873</u>
CASH AND CASH EQUIVALENTS:			
AT THE START OF THE YEAR		<u>74,183,862</u>	29,716,989
AT THE END OF THE YEAR		<u>76,898,298</u>	<u>74,183,862</u>



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs
TURNOVER					
Water Revenue	145,465,337		145,465,337	141,085,382	(4,379,955)
Sewer Revenue	26,250,077		26,250,077	25,247,712	(1,002,365)
Other Revenues	8,340,000		8,340,000	7,620,168	(719,832)
Bottled Water Revenue	10,942,000	(2,250,420)	8,691,580	7,880,370	(811,210)
	<u>190,997,414</u>	<u>0</u>	<u>188,746,994</u>	<u>181,833,631</u>	<u>(6,913,363)</u>
OTHER INCOME					
New Connection fees	6,864,000	1,050,258	7,914,258	8,335,162	420,904
Interest income	3,500,000	(75,000)	3,425,000	3,426,631	1,631
Water bowser income	43,028	0	43,028	48,840	5,812
Miscellaneous income	12,136	0	12,136	577,164	565,028
Exhauster Revenue	4,577,200	(435,500)	4,141,700	3,856,500	(285,200)
Deferred Income	0	0	0	1,480,449	1,480,449
Revenue Grant		4,692,851	4,692,851	4,692,851	0
WSTF Grant	0	12,310,993	12,310,993	12,310,993	0
	<u>14,996,364</u>	<u>17,543,602</u>	<u>32,539,966</u>	<u>34,728,590</u>	<u>2,188,624</u>
TOTAL REVENUES	205,993,778	15,293,182	221,286,960	216,562,221	(4,724,739)
ADMINISTRATION AND ESTABLISHMENT EXPENSES					
Salaries, Wages and Allowances	52,172,768	2,889,636	55,062,404	55,172,463	(110,059)
Staff Welfare	11,236,419		11,236,419	2,571,852	8,664,567
Repairs and Maintenance	3,040,880	(1,921,200)	1,119,680	1,055,581	64,099
Cash Collection Charges	624,191	(608,407)	15,784	15,784	0
Office Supplies	2,085,957		2,085,957	2,044,766	41,191
Training	2,656,925		2,656,925	2,771,983	(115,058)
Motor Vehicle Running Expenses	3,122,252	858,450	3,980,702	3,822,383	158,319
Telephone and Email	3,352,556		3,352,556	3,057,107	295,449
Audit Fees	464,000		464,000	464,000	0
Travelling and Subsistence	2,194,270	2,606,800	4,801,070	4,785,212	15,858
Directors' Fees and Allowances	1,801,810	978,080	2,779,890	2,763,198	16,692
Annual General Meeting expense:	0		0	787,200	(787,200)
Meetings and Conferences	432,195	620,385	1,052,580	1,035,175	17,405
Electricity and Generator expense	573,501	(230,465)	343,036	339,239	3,797
Advertising and Public Relations	764,044	405,950	1,169,994	1,163,212	6,782
Donations and Subscriptions	425,400	(194,500)	230,900	218,850	12,050
Social activities expenses	115,000	(68,600)	46,400	46,400	0
Hospitality expenses	166,773	220,450	387,223	386,259	964
Legal, Professional Fees & Levies	6,281,607	2,968,420	9,250,027	9,074,573	175,454
Security	1,868,782	155,000	2,023,782	2,050,999	(27,217)
Uniforms	1,230,700	(220,400)	1,010,300	972,288	38,012
Insurances	1,392,000	206,533	1,598,533	1,596,825	1,708
Postage	73,481	196,599	270,080	258,476	11,604
Decrease in provision for doubtful	0		0	371,410	(371,410)
General Office Expenses	164,800	(98,540)	66,260	57,910	8,350
Assorted Tools	115,000	162,400	277,400	275,420	1,980
Sub-Total Admin. & Est. Expn	<u>96,355,311</u>	<u>8,926,591</u>	<u>105,281,902</u>	<u>97,158,565</u>	<u>8,123,338</u>
Depreciation	18,572,054		18,572,054	18,719,605	(147,551)
Amortisation of intangible assets	2,626,810	950,210	3,577,020	3,706,121	(129,101)
Total Admin. & Est. Expenses	117,554,175		127,430,976	119,584,290	7,846,686
SELLING AND DISTRIBUTION EXPENSES					
Salaries, Wages and Allowances	32,368,785		32,368,785	30,096,724	2,272,061
License fee	2,024,386	6,518,328	8,542,714	7,740,504	802,210
Repairs and Maintenance	2,138,033	(1,180,140)	957,893	908,858	49,035
Rehabilitation-sewer system	1,070,000		1,070,000	1,055,954	14,046
Assorted Tools	721,500	(520,310)	201,190	193,980	7,210
Travel and subsistence	890,194	(230,806)	659,388	646,500	12,888
Excise Duty	1,213,380		1,213,380	1,190,198	23,182
Office supplies	419,553	245,247	664,800	608,722	56,078
Operation & Maintenance pipelin	12,682,257	2,661,474	15,343,731	14,434,510	909,221
Electricity	10,365,012	2,080,756	12,445,768	11,472,095	973,673
Chemicals and laboratory expense	5,752,000		5,752,000	6,176,271	(424,271)
Motor Vehicle Running Expenses	3,441,355	(523,840)	2,917,515	2,889,323	28,192
Bottling Plant Expenses	4,819,051	(680,236)	4,138,815	4,011,342	127,473
Minor works	5,000,000	(562,378)	4,437,622	4,127,148	310,474
Night flow measurements	156,000	(64,000)	92,000	84,000	8,000
Exhauster Expenses	3,272,868	(1,748,284)	1,524,584	1,435,995	88,589
Water Analysis	727,000	115,500	842,500	833,339	9,161
Non revenue activities	150,000	(144,220)	5,780	5,210	570
Total Selling & Dis. Expenses	87,211,374	5,967,091	93,178,465	87,910,673	5,267,792
Bank charges	169,767	(17,248)	152,519	143,269	9,250
Withholding tax	1,050,000	(525,000)	525,000	513,995	11,005
Total Finance costs	1,219,767	(542,248)	677,519	657,264	20,255
Surplus	8,461		-	-	8,461
TOTAL EXPENSES	205,993,778	5,424,843	221,286,960	208,152,227	13,134,733
Tax For the Year				589,527	
Tax paid				(513,995)	
Net Tax				<u>75,532</u>	



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2021 (CONT'D)**

The budgets projections are actualized when the assumptions taken in the preparation of the same crystallize during the implementation period.

During the year in review, several external factors worked for and against the Trust expectations.

These factors include and are not limited to the following;

- a) *Bowser water income-There were more customers who bought bulk water than was anticipated*
- b) *The generation of more miscellaneous income was as a result of VAT refund from Kenya Revenue Authority*
- c) *Revenue grants are chemicals that were donated to the Trust to mitigate against the covid-19 pandemic.*
- d) *WSTF Grant -The grant money from the Water Sector Trust Fund to also mitigate against the covid-19 pandemic*
- e) *The budget line for general expenses had a positive variance due to fewer expenses spent during the period.*



NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Meru Water and Sewerage Services Registered Trustees is established under the Trustees(Perpetual Succession) Act Cap 167 and derives its authority and accountability from the Water Act 2016. The Trust is wholly owned by the County Government of Meru and is domiciled in Kenya. The Trust principal activity is to provide water and sewerage services to the residents Meru Municipality and its Environs.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Trust's financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Trust. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The financial statements are prepared on accrual basis. The Cashflow statement is prepared using indirect method.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2021

IAS 39-Financial Instruments:

Recognition and Measurement

IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments

Effective date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

IFRS 4- Insurance Contracts (Superseded)

IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.

Effective date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted

IFRS 7- Financial Instrument Disclosures

IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Effective date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted

IFRS 16- Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

Effective date

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

ii *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

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.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 12 — Income Taxes

IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

Effective Date

Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IAS 16 — Property, Plant and Equipment

IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 37 — Provisions, Contingent Liabilities and Contingent Assets

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 41 — Agriculture

IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 1 — First-time Adoption of International Financial Reporting Standards

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 3 — Business Combinations

IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

Effective Date

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

IFRS 17 — Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Effective Date

The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

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

i) **Revenue from the sale of goods and services** is recognised in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.



4 NOTES TO THE FINANCIAL STATEMENTS (Continued)

III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

- ii) **Grants from National Government** are recognised in the year in which the Trust actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investments in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Other income** is recognised as it accrues.

b) **In-kind contributions**

In-kind contributions are donations that are made to the Trust 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 entity 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.

c) **Property, plant and equipment**

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

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 recognised 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:

Depreciation policy

Freehold land	Nil	Water meters	20.0%
Buildings	2.5%	Computers and typewriters	30.0%
Water & sewerage treatment	2.5%	Amortisation of intangible assets	30.0%
Furniture and equipment	12.5%	Workshop equipment	33.3%
Motor vehicles	25.0%	Pipes and fittings	12.5%

e) **Intangible assets**

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

f) **Amortisation of intangible assets**

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

g) **Inventories**

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

h) **Trade and other receivables**

Trade and other receivables are recognised 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.

i) **Taxation**

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 Kenya



NOTES TO THE FINANCIAL STATEMENTS (Continued)

III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Deferred tax

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax

j) Cash and cash equivalents

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

k) Borrowings

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

l) Trade and other payables

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

m) Retirement benefit obligations

The Trust provides retirement benefits for its employees. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Budget information

The budget for FY 2020-2021 was approved by the Board of Directors on 25th June 2020. The financial statements and the Budget are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

o) Comparative figures

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

p) 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, 2021

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Trust bases 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 Trust. 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 assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14

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.

Provision for Bad and Doubtful debts

Dormant accounts provision - debtor whose accounts are not active for more than five years are provided for in full less the deposit paid upon opening the accounts, a **General provision** for doubtful debts is provided at ten (10) percent after deducting the dormant account debts

Offsetting Financial Assets and Financial Liabilities

The Trust did not have any offsetting arrangements in place during the reporting period.

d) Financial Risk Management

The Trust's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Trust's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Trust 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 Trust's financial risk management objectives and policies are detailed below:

i) Credit risk

The Trust 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.

The 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 Trustees. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Trust's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Trust's maximum exposure to credit risk is made up as follows:



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Fully performing Kshs.	Impaired Kshs.	Total Kshs.	
At 30 June 2021				
Trade receivables	61,144,108	19,037,975	80,182,084	
Bank balances	76,850,882	-	76,850,882	(Excludes cash at hand)
At 30 June 2020				
Trade receivables	58,042,216	18,666,565	76,708,782	
Bank balances	74,148,405	-	74,148,405	(Excludes cash at hand)

	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 4 months Kshs.	Total Kshs.
At 30 June 2021				
Trade Receivables	2,605,409	13,138,500.29	64,438,174	80,182,084
At 30 June 2020				
Trade receivables	12,033,648	5,064,548.80	59,610,584	76,708,781

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

ii) Liquidity risk management

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

The table below represents cash flows payable by the Trust under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 4 months Kshs.	Total Kshs.
At 30 June 2021				
Trade payables	4,385,137	1,106,512	53,003,254	58,494,903
At 30 June 2020				
Trade payables	4,830,077	2,207,914	53,102,955	62,818,255

e) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which v the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk re Audit and Risk Management Committee

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i) Foreign currency risk

The Trust does not have transactional currency exposures

ii) Interest rate risk

Interest rate risk is the risk that the Trust's financial condition may be adversely affected as a result of changes in interest rate levels. The Trust's interest rate risk arises from bank deposits. This exposes the Trust to cash flow interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the Trust's deposits

iii) Management of interest rate

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

f) THE WATER SECTOR REFORMS

The Constitution of Kenya 2010 under the Fourth Schedule placed water and sanitation services to the County Governments. Similarly, the Water Act 2016 provides for the County Governments to establish Water Service providers.

The County Assembly of Meru passed the Meru County Water and Sanitation Services Act 2014 to manage the provision of water and sanitation services within Meru County urban areas.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Note:	2020-2021	2019-2020
		<u>Kshs</u>	<u>Kshs</u>
6 TURNOVER			
Water Revenue		141,085,382	139,734,806
Sewer Revenue		25,247,712	28,155,553
Other Revenues		7,620,168	9,408,890
Bottled Water Revenue		<u>7,880,370</u>	<u>11,197,916</u>
		<u>181,833,631</u>	<u>188,497,164</u>
Other Revenue includes Reconnection penalties, customer connection repair charges .			
7 OTHER INCOME			
New connection fees		8,335,162	8,000,755
Interest income		3,426,631	3,396,534
Bowser water income		48,840	54,250
Miscellaneous income		577,164	229,599
Exhauster Revenue		3,856,500	3,923,906
Deferred Income		1,480,449	1,757,175
Revenue Grants		4,692,851	-
WSTF Liquidity Grant		12,310,993	-
		<u>34,728,590</u>	<u>17,362,219</u>
8 ADMINISTRATION AND ESTABLISHMENT EXPENSES			
Salaries, Wages and Allowances		55,172,463	42,691,105
Staff Welfare		2,571,852	9,232,266
Repairs and Maintenance		1,055,581	2,028,874
Cash Collection Charges		15,784	673,111
Office Supplies		2,044,766	1,905,599
Training		2,771,983	3,340,470
Motor Vehicle Running Expenses		3,822,383	2,456,547
Telephone and Email		3,057,107	1,975,507
Audit Fees		464,000	464,000
Travelling and Subsistence		4,785,212	3,428,124
Directors' Fees and Allowances		2,763,198	1,108,215
Stakeholders forum expenses		787,200	-
Meetings and Conferences		1,035,175	385,916
Electricity and Generator expenses		339,239	547,715
Advertising and Public Relations		1,163,212	1,048,168
Donations and Subscriptions		218,850	258,200
Social activities expenses		46,400	-
Hospitality expenses		386,259	152,080
Fees & Levies		9,074,573	3,674,090
Security		2,050,999	1,926,999
Uniforms		972,288	1,147,370
Insurances		1,596,825	911,854
Postage		258,476	74,253
Increase in provision for doubtful debts		371,410	(215,594)
Games & Sports - Wasca		-	1,709,038
General Office Expenses		57,910	163,300
Assorted Tools		<u>275,420</u>	<u>291,837</u>
a Total Administration & Establishment Expenses		<u>97,158,565</u>	<u>81,379,044</u>
b Depreciation	13	18,719,605	18,324,622
c Armotisation of intangible assets	14	3,706,121	180,960
		<u>119,584,290</u>	<u>99,884,626</u>



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020-2021	2019-2020
	<u>Kshs</u>	<u>Kshs</u>
9 SELLING AND DISTRIBUTION EXPENSES		
Salaries, Wages and Allowances	30,096,724	33,560,187
License fee	7,740,504	7,564,200
Repairs and Maintenance	908,858	1,557,416
Rehabilitation-sewer system	1,055,954	822,843
Assorted Tools	193,980	102,645
Travel and subsistence	646,500	1,271,876
Excise Duty	1,190,198	1,172,900
Office supplies	608,722	733,796
Operation & maintenance - pipelines	14,434,510	11,411,266
Electricity	11,472,095	10,224,774
Chemicals and laboratory expenses	6,176,271	5,608,930
Motor Vehicle Running Expenses	2,889,323	3,111,544
Bottling Plant Expenses	4,011,342	4,875,739
Minor works	4,127,148	1,344,142
Night flow measurements	84,000	108,000
Exhauster Expenses	1,435,995	3,515,509
Water Analysis	833,339	339,900
Non revenue water activities	5,210	59,390
	<u>87,910,673</u>	<u>87,385,056</u>
10 NET FINANCE COSTS		
Bank charges	143,269	131,297
	<u>143,269</u>	<u>131,297</u>
11 SURPLUS BEFORE TAXATION		
The surplus/(deficit) before taxation is stated after charging:		
Depreciation	18,719,605	18,324,622
Board of Directors emoluments	2,763,198	1,108,215
Auditor's remuneration	464,000	464,000
Net finance costs	143,269	131,297
Interest income	<u>3,426,631</u>	<u>3,396,534</u>
12 TAXATION		
a) Corporate Tax		
The Trust's current tax charge is computed in accordance with income tax rules applicable on surplus generated during the year.		
Surpluses as per the accounts	8,923,989	18,458,402
Add: Non allowable expenses	<u>23,098,611</u>	<u>18,861,918</u>
	32,022,599	37,320,320
Less: Allowable expensess	<u>(28,577,061)</u>	<u>(25,881,167)</u>
deferred income for the year	<u>(1,480,449)</u>	<u>(1,757,175)</u>
Taxable income	1,965,090	9,681,979
Corporate Tax	589,527	2,420,495
b) Taxation paid		
Withholding tax on interest income	513,995	509,480
	<u>513,995</u>	<u>509,480</u>
c) Tax Asset		
This represents Tax advance payments to Kenya Revenue Authority as at the end of the financial year. The Trust has recognised principal Taxes and no interest and penalties. The application for waiver of interest and penalties is pending with the KRA	8,402,384	8,477,917
d) Surplus/(Deficit) after Taxation	<u>8,334,462</u>	
e) Equity as at 30th June 2021	<u>203,672,296</u>	



ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

	Free Hold Land	Buildings	Office Computers	Motor Vehicles	WTP Equipment & Tools	Water Meters & Equipment	Office Furniture & Equipment	Pipes & Fittings	Water & sewerage treatment	Work in Progress	Total
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>
COST/VALUATION											
At 1st July 2019	7,507,945	9,148,557	15,266,851	31,468,736	5,556,868	63,546,752	9,513,621	80,060,642	126,399,167	10,129,543	358,598,681
Additions	-	-	487,353	6,731,542	354,844	8,359,733	49,128	-	0	-	15,982,600
At 30th June 2020	7,507,945	9,148,557	15,754,203	38,200,278	5,911,712	71,906,485	9,562,749	80,060,642	126,399,167	10,129,543	374,581,281
At 1st July 2020	7,507,945	9,148,557	15,754,203	38,200,278	5,911,712	71,906,485	9,562,749	80,060,642	126,399,167	10,129,543	374,581,281
Additions	-	5,237,669	968,331	5,368,809	838,400	5,672,149	168,920	1,820,107	0	9,215,431	29,289,816
At 30th June 2021	7,507,945	14,386,226	16,722,534	43,569,087	6,750,112	77,578,634	9,731,669	81,880,748	126,399,167	19,344,974	403,871,097
DEPRECIATION											
At 1st July 2019	0	2,335,617	14,124,464	23,639,135	4,373,353	45,033,429	6,821,679	41,126,910	9,244,914	0	146,699,502
Charge for the year	0	170,324	488,922	3,640,286	512,274	5,374,611	342,634	4,866,716	2,928,856	0	18,324,622
At 30th June 2020	0	2,505,940	14,613,386	27,279,421	4,885,626	50,408,040	7,164,313	45,993,626	12,173,770	0	165,024,123
At 1st July 2020	0	2,505,940	14,613,386	27,279,421	4,885,626	50,408,040	7,164,313	45,993,626	12,173,770	0	165,024,123
Charge for the year	0	297,007	632,744	4,072,417	620,874	5,434,119	320,920	4,485,890	2,855,635	0	18,719,605
At 30th June 2021	0	2,802,947	15,246,130	31,351,837	5,506,500	55,842,159	7,485,233	50,479,516	15,029,405	0	183,743,728
NET BOOK VALUE											
At 30th June 2020	7,507,945	6,642,617	1,140,818	10,920,857	1,026,086	21,498,444	2,398,436	34,067,015	114,225,397	10,129,543	209,557,159
At 30th June 2021	7,507,945	11,583,279	1,476,404	12,217,250	1,243,612	21,736,475	2,246,437	31,401,232	111,369,762	19,344,975	220,127,370

Property, plant and equipment worth Kshs 19,269,448 donated to Meru Water and Sewerage Services at inception by the Government of Kenya and the Government of Japan are included in these financial statements. These include computers, furniture and fittings, laboratory equipment, motor vehicles and motor cycles, office and workshop equipment and water meters.

Assets of an undetermined value which were originally under the Meru Municipal Council and the then Ministry of Environment and Natural Resources are not included in these accounts. These include all distribution and storage tanks, structures and works at the water treatment plant, buildings, water pipes network, master meters, structures and works at the sewer treatment, sewerage conduit pipes networks and all the land on which these items are constructed. The Trust utilises all these assets to provide water and sewerage services to the residents of Meru Municipality and its environs.



MERU WATER AND SEWERAGE SERVICES
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS	2020-2021	2019-2020
	<u>Kshs</u>	<u>Kshs</u>
COST		
At July 1	12,086,999	7,367,499
Additions	7,211,996	-
At June 30	<u>19,298,995</u>	<u>7,367,499</u>
AMORTISATION		
At July 1	6,945,258	6,764,298
Charge for the year	3,706,121	180,960
At June 30	<u>10,651,379</u>	<u>6,945,258</u>
NET BOOK VALUE		
At June 30	<u>8,647,616</u>	<u>422,241</u>
WORK IN PROGRESS		
At July 1		
IMIS software	-	4,719,500
At June 30	<u>8,647,616</u>	<u>5,141,741</u>
15 INVENTORIES		
Pipes and fittings	4,562,648	6,327,526
Electrical fittings	12,539	12,539
Chemicals	493,776	435,000
Other items	667,978	824,136
	<u>5,736,941</u>	<u>7,599,200</u>
16 RECEIVABLES AND PREPAYMENTS		
Trade receivables	80,182,084	76,708,781
Provision for doubtful debts	-	-
- Dormant accounts	(12,244,185)	(12,217,430)
- General	(6,793,790)	(6,449,135)
	<u>61,144,108</u>	<u>58,042,216</u>
Other receivables, deposits and prepayments	14,669,009	5,309,331
	<u>75,813,117</u>	<u>63,351,548</u>
17 CASH AND CASH EQUIVALENTS	ACCOUNT NO.	
Cash in Hand		47,416
Cash at Bank		35,457
Standard Chartered bank	0102063431800	7,500,422
Equity Bank Limited	1040299452042	17,810,014
Mpesa Collection account	918350	7,325,229
Equity Bank Limited - Conditional liquidity Grant		3,391,372
		150,719
Equity Bank Limited - Conditional liquidity Grant		8,633,859
		-
Fixed Deposits		-
Equity Bank Limited		35,000,000
Equity Bank Limited		50,000,000
		<u>15,000,000</u>
		<u>76,898,298</u>
		<u>74,183,862</u>
The funds in the fixed deposit will be used to finance the capital projects lined up for the year (see note 26)		
18 GRANT		
Balance as at 1st July	911,297	1,057,384
Less: Transfer to Revenue Reserves	(120,052)	(146,087)
Balance at 30th June	<u>791,245</u>	<u>911,297</u>
The capital grant represents assets donated to MEWASS by the Japanese Government and Tana Water Services Board		



MERU WATER AND SEWERAGE SERVICES
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020-2021 <u>Kshs</u>	2019-2020 <u>Kshs</u>
19 CONSUMER DEPOSITS		
These are refundable deposits paid by customers. The deposits are refunded when water services to a customer are terminated:	<u>46,890,478</u>	<u>44,047,229</u>
20 PAYABLES AND ACCRUALS		
Trade payables	62,027,824	62,818,255
Other payables and accruals	51,841,926	49,492,698
	<u>113,869,749</u>	<u>112,310,953</u>
21 STAFF COSTS		
Staff costs include:		
Contribution to retirement benefit scheme	6,087,905	5,291,311
Contribution to statutory pension scheme	249,800	298,800
Contribution to benevolent fund	100,200	79,100
Other salaries, wages and allowances	58,594,448	54,755,845
	<u>65,032,353</u>	<u>60,425,056</u>
22 COMPENSATION OF KEY MANAGEMENT PERSONNEL		
Basic salary	10,257,794	7,301,828
Other allowances	5,579,287	4,230,331
Retirement benefits	4,399,753	484,552
	<u>20,236,834</u>	<u>12,016,711</u>
23 NUMBER OF EMPLOYEES		
The number of employees as at 30th June was;	66	67
In addition to the above, MEWASS engages labour on short term contracts. As of June 2021, the number of employees on short-term contracts were 41		
24 DEFERRED GRANT INCOME		
Balance b/wd	15,704,112	17,315,200
Capitalized grants	(1,360,397)	(1,611,088)
WSTF Grant	16,058,242	-
	<u>30,401,957</u>	<u>15,704,112</u>
This relates to grants received from Water Sector Trust Fund Kshs.16,058,242 was received during the year.		



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020-2021	2019-2020
	<u>Kshs</u>	<u>Kshs</u>
25 CONTINGENT LIABILITIES		
Value of award against MEWASS	17,853,494	17,853,494
<p>The Trust has a Kshs.17,853,494.00 claim in respect of a Land ownership dispute where Water Treatment /Storage Tanks are located. The Trust is vigorously defending itself through the court. The Trust lawyers are defending the Trust. A provision has been made in these accounts for this claim.</p> <p>During the year ending 30th June 2021 a petition was filed in the court and submissions were made. The company expects a favourable ruling .</p>		
26		
Authorized and contracted:	1,325,151	1,112,600
Authorized but not contracted:	<u>83,795,014</u>	<u>30,394,246</u>
	<u>85,120,165</u>	<u>31,506,846</u>
27. EVENTS AFTER THE REPORTING PERIOD		
<p>There were no material adjusting and non adjusting events after the reporting period.</p>		
28. CURRENCY RISK		
<p>The Trust operates wholly within Kenya and its assets and liabilities are reported in the local currency. The Trust held no foreign currency as at 30th June 2021</p>		
29. CURRENCY		
<p>The financial statements are presented in Kenya Shillings (Kshs).</p>		



**MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is a summary of the issues raised by the Auditor-General and management comments that were provided to the Auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref: No.	Issue or observations	Management Comments	Focal point person to Resolve the issue	Status	Time Frame
1.0	Going Concern Company's financial position reflects total current liabilities totalling to Kshs.156,358,181(2018/2019)-Kshs.151,309,166) and a total current assets Kshs.153,612,526 (2018/2019)-Kshs.136,479,295) resulting in a negative working capital of Kshs.2,745,655 (2018-2019-Kshs.14,829,871)	Water tariff applied by MEWASS expired in the financial year 2016/17. Meanwhile the management will continue to connect more customers to boost its revenue base thus working towards improving the working capital	Robert Miruri - General Manager	Resolved	30/06/2021
2.0	Receivables and prepayments Receivables and prepayments includes Kshs.76,708,781 in respect of trade receivables which has receivables that fell due between the year 1992 and 2005. However no evidence of effort to recover or write off the long overdue debts was provided for audit review	The management has been pursuing debtors and continues to demand payments for the repayment of the outstanding debts. Measures for the recovery of the outstanding debts include disconnections for the services and issuance of demand letters. Similarly management makes payment arrangements with customers for the repayment of the accrued debts in installments.	Lydia Mukami - Finance Manager	Resolved	30/06/2021
Other Matter					
1.0	Budgetary Control and Performance				
1.1	Revenue Analysis				
	Under collection of Turnover by Kshs.10,734,214 comprising of an under collection of Kshs.11,704,228 and Over collection of Kshs.970,014	During the year there was covid-19 pandemic which disrupted the activities for the year. The shortfall was as a result of our disruption of economic activities which included closure of businesses as directed by the Government to contain the spread of covid-19 and therefore the consumption of water reduced.	Lydia Mukami - Finance Manager	Resolved	30/06/2021
1.2	Expenditure Analysis				
	Under and Over Expenditure of the budget by Kshs.28,803,211 and Kshs.126,920	The under expenditure of Kshs.28,676,271 was as a result of scaling down the activities due to the impact of the Covid-19 pandemic	Lydia Mukami - Finance Manager	Resolved	30/06/2021
1.3	Unbalanced Budget				
	The Company's Financial statement reflects Kshs.216,593,59 and Kshs.216,586,751 resulting to a variance of Kshs.6846 budget imbalance.	The approved revenue reflects Kshs.216,593,597 while both the approved expenditure reflects Kshs.216,586,751 and a surplus of Kshs.6,846 making a total sum of Kshs.216,593,597	Lydia Mukami - Finance Manager	Resolved	30/06/2021



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FOR THE YEAR ENDED 30TH JUNE 2021

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


The following is a summary of the issues raised by the Auditor-General and management comments that were provided to the Auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
1.0	Audit Fees				
	Note 20 to the financial statements for the year ended 30 June 2020 reflects Kshs.112,310,953 in respect to payables and accruals which includes Kshs.49,492,698 in respect to other payables and accruals which further includes Kshs.2,320,000 in respect to accumulated provision for audit fees for five (5) financial years (2015/2016 to 2019/2020). However included in Kshs.2,320,000 is Kshs.1,856,000 which is already due and is payable to the office of the Auditor	The management acknowledges the outstanding audit fees and it's willing to make arrangement to settle when invoices have been received from the office of the Auditor General	Lydia Mukami - Finance Manager	Resolved	30/06/2021
2.0	Lack of Pre – Numbered Payment Vouchers				
	The Company's payment system revealed that payment vouchers were not serialized and the payment amounts are only written in figures instead of figures as well as in words	The management has procured an Integrated Management Information Software whereby the amount in both words and figures are indicated in the payment vouchers as well as serialization as required by Section 104 of the public finance management Act	Lydia Mukami - Finance Manager	Resolved	30/06/2021
3.0	Presentation and disclosure of the Financial Statements				
	i. The Company's financial statements for the year ended 30 June 2020 reflects financial years 2020 and 2019 to refer to the period under review and preceding financial years instead of 2019/2020 and 2018/2019 respectively.	The management has made relevant corrections to the financial statements to conform to the prescribed format as per the International Financial Reporting Standards template issued by the National Treasury vide circular referenced AG.4/16/6/3 Vol.1(9) dated 24th June 2020	Lydia Mukami - Finance Manager	Resolved	31/01/2021

DIRECTOR: Dr. Mworira Mugambi..... 

Date 28th September 2021

Joseph Mberia

for Chief Executive Officer..... 



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
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APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX II: PROJECTS IMPLEMENTED BY THE TRUST

Projects

Projects implemented by the Meru Water and Sewerage Services funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements
1	None	None	None	None	None	None
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2							
3							



MERU WATER AND SEWERAGE SERVICES
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APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX III: INTER ENTITY TRANSFERS

NAME:	Meru Water and Sewerage Services		
Break down of Transfers from the State Department of Water			
FY 20/21			
N/A			
a. Recurrent Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
N/A			
	Total		
b. Development Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
N/A			
	Total		
c. Direct Payments			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
N/A			
	Total		
d. Donor Receipts			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
N/A			
	Total		

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager

Meru Water and Sewerage Services

Sign -----

Head of Accounting Unit

Department of Water and Irrigation

Sign-----



MERU WATER AND SEWERAGE SERVICES
REGISTERED TRUSTEES

ANNUAL REPORTS AND FINANCIAL STATEMENTS
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APPENDICES TO THE FINANCIAL STATEMENTS

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
N/A									
Total									