

REPUBLIC OF KENYA



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REPORT

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ON

**MOMBASA WATER SUPPLY AND
SANITATION COMPANY LIMITED**

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



MOMBASA WATER SUPPLY & SANITATION CO. LTD

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

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

Mombasa Water Supply & Sanitation Co. Ltd

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



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I. ABBREVIATIONS AND ACRONYMS

ACCA	Association of Certified Chartered Accountants
AFD	Agence France de Development
BOD	Board of Directors
CPA-K	Certified public accountant- Kenya
CWWDA	Coast Water Works Development Agency
ERP	Enterprise Resource Planning
FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
ICPSK	Institute of Certified Public Secretaries of Kenya
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
KCWU	Kenya County Workers Union
Kshs	Kenya Shillings
LSK	Law society of Kenya
M&E	Monitoring & Evaluation
MD	Managing Director
MOWASSCO	Mombasa Water Supply and Sanitation Co. Ltd
NRW	Non-Revenue Water
OSH	Occupational safety and health
RRI	Rapid Response Initiative
RRT	Rapid Response Team
SDG	Sustainable Development Goals
WASPA	Water Services Providers Association
WASREB	Water Services Regulatory Board
WSDP	Water and Sanitation Development Project
WSP	Water Service Provider
WSTF	Water Sector Trust Fund
WWTP	Waste Water Treatment Plant

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II. KEY ENTITY INFORMATION

Background information

Mombasa Water Supply and Sanitation Company Limited was established under the Water Act of 2002. This Act was later repealed and replaced by Water Act, 2016 which aligns the legal framework in Water Sector to the Constitution of Kenya, 2010 where water services provision is a devolved function to the County Governments under Schedule 4. Mombasa Water was incorporated in Kenya on 18th March, 2011 under the Companies Act, Chapter 486. It is licensed by the Water Services Regulatory Board to distribute water and provide sanitation services to the residents of Mombasa County. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

Principal Activities

Mombasa Water Supply and Sanitation Co. Ltd has the mandate to providing cost effective and affordable quality water and sanitation services to the residents of Mombasa County.

In discharging the mandate, the company is expected to undertake the following responsibilities:

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

Company Mission

To provide safe, reliable, affordable water and sewerage services in an efficient and viable manner to the residents of Mombasa County.

Company Vision

To be a water service provider of repute.

Core Values

- Professionalism
- Integrity
- Teamwork
- Customer satisfaction

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DIRECTORS

The directors who served the company during this period of audit (July-22 to June-23) were:

1. Justus O. Nyarandi	Chairman	Re-appointed on 1 st August 2021
2. Atul Patel	Director	Re-appointed on 1 st Sept 2022
3. Muthoni Gatherer	Director	Re-appointed on 27 th Sept 2021
4. Amina Osman	Director	Appointed on 3 rd Sept 2021
5. Ahmed Badawy	Director	Appointed on 6 th May 2022
6. Said Hamid	Director	Appointed on 21 st June 2022
7. Ayub Buhiri	Director	Appointed on 21 st June 2022
8. Abdirahim Farah	Managing Director	Appointed on 3 rd March 2022

Company Secretary

CS Jane Mwangi Sumbeiywo

C/o Robson and Harris Co. Advocates LLP,

P. O. Box 67845, City Square

City Hall Way Building Transnational Plaza

NAIROBI

Corporate Headquarters

Mombasa Water Supply & Sanitation Co Ltd

P.O. Box 1100-80100

Mikindani Street, Off Nkrumah Road

MOMBASA, KENYA

Corporate Contacts

Telephone: (254) 0726313006

E-mail: info@mombasawater.co.ke

Website: www.mombasawater.co.ke

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Corporate Bankers

1. Equity Bank Limited
P. O. Box 84618 - 80100
Mombasa Supreme Branch
Mombasa, Kenya

2. Housing Finance Corporation
P. O. Box 84839-80100
Moi Avenue Branch
Mombasa, Kenya

3. Co-operative Bank
P. O. Box 87771 - 80100
Nkrumah Road Branch
Mombasa, Kenya

4. Family Bank
Digo Road Branch,
Mombasa, Kenya

Independent Auditors

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

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Principal Legal Advisers

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

2. CS Jane Mwangi Sumbeiywo (Mrs)
Robson and Harris Co. Advocates LLP,
P. O. Box 67845, City Square
City Hall way Building Transnational Plaza
NAIROBI

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II. THE BOARD OF DIRECTORS

1



Mr. Omae Nyarandi

Mr Omae Nyarandi is a non-executive chairman and independent director serving as the Chairman of the Board having been re-appointed on August 1st, 2021. He is 53 years old. He holds an MBA in Business Administration from the University of Nairobi (UON) and is currently pursuing his PhD in Strategic Management from the same university. Besides, Mr. Nyarandi is a Certified Public Accountant (CPA-K), a Certified Secretary (CS), and is a Member of the Chartered Institute of Purchasing & Supply (MCIPS), Institute of Supplies Management of Kenya (ISMK) and Institute of Management of Kenya (IMK). He has over 23-years of work experience accumulated in areas of Port Strategy, Commercial, Procurement and Finance. Specifically, Mr. Nyarandi led Departments of Procurement, Commercial and Finance before rising to the Position of General Manager Corporate Services in charge of Strategic Planning, Research, Marketing, Corporate Communication, and Information Technology at Kenya Ports Authority. He is currently heading the Permanent Secretariat, as the Executive Secretary, of the Northern Corridor Transit and Transport Coordination Authority (NCTTA) based in Mombasa. He represents the Residential Associations' stakeholder group according to the WASREB Corporate Governance requirements.

2



Muthoni Gatere

Ms Muthoni Gatere is an independent director serving as the Chairperson of the Human Resource Committee and a member of the Audit & Risk Committee having been re-appointed on September 27th, 2021. She is 59 years old. She is a holder of Bachelor of Laws Degree (LL. B Hons.) from the University of Nairobi (UON), Diploma in Law (Kenya School of Law), and Master of Laws (LL.M) from International Maritime Law Institute, Malta. She is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public and Certified Public Secretary (CS). She possesses over 25-years of work experience as a Legal Counsel, Senior Corporate Manager. Ms Muthoni led the Legal & Board Affairs Department and served as the Corporation Secretary at Kenya Ports Authority for many years. Ms Muthoni is a founder member of the Women in Maritime of Eastern & Southern Africa (WOMESA), as well as membership with the Law Society of Kenya (LSK), American Society of International Law and the Institute of Certified Public Secretaries (ICPSK). She is currently a Consultant with Keynes Consulting Services Ltd., a Director at the Coast Mediation Centre, and the Company Secretary of the Kenya Petroleum Refineries Ltd. She represents the Professionals' (Advocates) stakeholder group according to the WASREB Corporate Governance requirements.



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3	 <p>Amina Osman</p>	<p>Ms Amina Osman Jama is an independent director serving as a Member of the Human Resource Committee and the Chairperson of the Audit & Risk Committee having been re-appointed on September 3rd, 2021. She is 44 years old. She is a holder of Bachelor of Arts Degree in Equity Studies & Diaspora and Transitional Studies (Minor: African Studies) from the University of Toronto (St. Georges Campus - Toronto, Ontario). She had also undertaken a Transitional Year Programme from the same university campus. She is also a holder of Master's Degree in adult Education and Community Development from the University of Toronto OISE. Ms Amina Osman served as a Case Manager with the Alliance for Multicultural Community Service in Toronto, Ontario, and later a Youth Care Worker with the Catholic Charities in Houston, Texas. She later worked as Seminar Facilitator at the University of Toronto, and got an opportunity to work with the Toronto Police Somali Liaison Unit as a Community Outreach Worker. Due to her experience, she served as the Vice President in the Board of Directors of Ascot Cooperative Homes in Toronto. Around the same time, she has also served as a Group Lead Facilitator, COPE Program in Yorktown Child and Family Centre in Toronto, Ontario. She is a recipient of various awards and achievements including Women Global Health, Somalia Chapter, Toronto Police Division 23 Award - Community Liaison, among certificates and scholarships. Ms Amina Osman represents the women groups and is the Company's Director representing the Low-Income Consumers' Group, having been appointed in 2022.</p>
4	 <p>Mr. Atul Patel</p>	<p>Mr Atul Patel is an independent director serving as a Member of the Risk & Audit Committee of the Board having been re-appointed on 1st September 2022. He is 62 years old. An astute businessman and a household name in manufacturing, Mr Patel holds a Diploma in Business Administration from the former Kenya Polytechnic, now Technical University of Nairobi. He possesses over 30-years of work experience in the manufacturing industry, having been the first manufacturers of all types of metal springs in Kenya. Mr Patel represents the manufacturers' stakeholder group according to the WASREB Corporate Governance requirements.</p>

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<p>5</p>  <p>Mr. Ridhiwan Ayub Buhiri</p>	<p>Mr. Ridhiwan Ayub Buhiri is an independent director serving as a Member of the Finance & Business Committee having been appointed as an Alternate Director to the Chief Officer - Finance & Economic Planning of the County Government of Mombasa on June 21st, 2022. He is 36 years old. Mr Ridhiwan Ayub is a holder of BBA Degree in Finance, Banking and Management from Kampala University in Uganda. He is also currently pursuing an MBA in Operations Management from the University of Nairobi. Mr Ridhiwan Ayub is an accomplished accounting and finance professional, having worked at Mewa Hospital, Mombasa Maize Millers Ltd and the Local Authority Provident Fund. He later joined the County Government of Mombasa as Head of Revenue, later Director - Accounting Services (Head of Treasury) and then Chief Officer - Finance & Economic Planning in acting capacity.</p>
<p>6</p>  <p>Mr. Ahmed Badawy</p>	<p>Mr Ahmed Alwy Ahmed Badawy is an independent director serving as a Member of the Human Resource Committee and the Chairperson of the Finance & Business Committee having been appointed on May 6th, 2022. He is 40 years old. Mr Badawy is a holder of Bachelor of Science in Applied Accounting from the Oxford Brookes University in the United Kingdom (UK). Prior to that, he had completed, within a record 2.5years qualifications in the Association of Certified Chartered Accountants (ACCA) from the Sunway University College in Malaysia. He is also Master of Business Administration from the Strathmore Business School, Strathmore University in Kenya. Mr Ahmed Badawy brings a wealth of experience to the Board, having dealt with senior executives of banks and law firms on various transactions including complex syndications. He possesses excellent knowledge of International Financial Reporting Standards (IFRS) and mercurial competence in transactional support, having executed numerous assignments including presentation of key findings to the board of directors. He has a wealth of extensive experience in the financial sector, general investment management, real estate, and education, construction with limited exposure to IT, Oil & Gas, utilities sector and manufacturing sector. He has worked with Ernst & Young, Abu Dhabi as an Analyst in Transactional Advisory Services, International Petroleum Investment Company (Sovereign Wealth Fund for the Abu Dhabi Government) as a Financial Analyst, and Managing Director of GulfCap Africa Limited / GulfCap Investments LLC. He is currently serving as the Project Chief Executive Officer of the Buxton Point Apartments, a modern and affordable housing project in Mombasa which is being done through a partnership between GulfCap Real Estate and the County Government of Mombasa. Mr Badawy represents the business community stakeholder group according to the WASREB Corporate Governance requirements</p>

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7	 <p>Eng. Said Hamid Juma</p>	<p>Engineer Said Hamid Juma is an independent director serving as a Member of the Finance & Business Committee having been appointed on September 1st, 2022. He is 37 years old. Eng. Said is a holder of Bachelor of Science Degree in Electronic and Electronics Engineering, (2nd Class Honors - Upper Division) from the Jomo Kenyatta University of Agriculture & Technology (JKUAT), Nairobi. He has also undergone the Emerson Process Management Training (Emerson Step Ahead Training) in Abu Dhabi, United Arab Emirates. He is a Registered Professional Engineer with the Engineering Board of Kenya (EBK) and a Registered Corporate Member with the Institute of Engineers of Kenya (IEK). He is also a Registered Class A1 Electrician with the Energy & Petroleum Regulatory Authority (EPRA), a Huawei Datacom Associate and Emerson Process Management Engineer. He is familiar with a vast array of programming languages, concepts and technologies including CCNA Assembly (C++); PLC, DCS SCADA, HMI; AutoCAD EMERSON DELTA V. Eng. Said has been involved in an array of Project Electrical Engineering assignments for projects worth millions of dollars. He has worked with organizations such as TechBiz Ltd, Ali Seif Consulting Engineers, Kenya Ports Authority (KPA), HF Fire (K), KENGEN (Kipevu Power Station), Burhani Engineers Ltd and Transocean Marine Surveyors EA Ltd as a technician and engineering / technical manager. He was previously engaged by Electrical Mechanical Technical & Engineering Consulting Engineers as Building Services & Instrumentation Project Engineer (November 2012 - November 2017). Since then, he founded Letech City Engineers, where he serves as the Chief Executive Officer.</p>
8	 <p>Mr. Abdirahim Farah Managing Director</p>	<p>Mr. Abdirahim Mohamed Farah is the Managing Director and secretary to the board. He was appointed on May 3rd, 2022 and is 44 years old. Mr. Farah is a holder of a Bachelor Degree in Business Management from Moi University, and a Master's in Business Administration (Strategic Management) from the University of Nairobi. He also holds professional trainings and certifications in Public Policy Management from Strathmore University, and Public Procurement and Senior Management from the Kenya School of Government (KSG). He is also an Associate Member of the Marketing Society of Kenya, membership no. A1218/MSK. Mr. Farah is an accomplished leader and executive manager with industry expertise in managing public sector projects (water and sanitation, economic development), policy development and implementation, executive board management, public relations and brand management, strategic plan development, general administrative oversight, stakeholder relationship management, corporate governance and resource mobilization & allocation. He has worked as a Management Trainee at KCB Bank, General Manager at Pro-phase Marketing & Publishing Ltd, Business Development Manager at SoftNet Technologies Ltd, and Group Finance Manager at Havard Africa Ltd.</p>

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	<p>Thereafter, he transitioned into full time public service, initially as Chief Officer in the County Government of Mombasa, serving in the Departments of Youth & Gender, Land, Planning & Housing, Investments and later Water, Sanitation & Natural Resources.</p>
<p>8</p>  <p>CS Jane S. Mwangi (Mrs)</p>	<p>Jane is the managing partner of Robson Harris, and a leading name in the corporate governance, cross border transactions and commercial law circles. Prior to joining the Firm, Jane worked with the Central Bank of Kenya, the Deposit Protection Fund Board (now KDIC) Non-Governmental organizations in New York and the United Nations Office of Internal Oversight Services. With a stellar career spanning over 25-years; investors, high net worth clients and county governments often seek Jane's expertise on complex matters in the fields of Mining, Natural Resources, Oil and Gas Law, Private Equity and Project Finance and Infrastructure. Over the years, Jane has garnered a formidable reputation in both the legal and business worlds as a reliable and knowledgeable commercial law Advocate. Jane has served on the Board of Directors in several Public and Private Boards. She served as a member of Board Management Kenya Industrial Research and Development Institute (KIRDI) between 2001 - 2004; was a Commissioner at the Law Reform Commission between 2005 - 2012, a Trustee with the NSSF Board of Trustee between 2001 - 2008 and Chair of the Board of Trustees NSSF between 2007 - 2008. She is currently a member of the Board of Directors of Jubilee Holdings Limited and Chairs the Board Human Resource Nominating Committee. Jane is a Certified Governance Auditor, Certified Secretary, Notary Public, Commissioner for Oaths, Arbitrator, Legal Auditor and Certified Patent Agent. She works with Boards and Senior Management in addressing Corporate Governance, Risk Management and Compliance Regulation matters. Jane advises several listed and unlisted companies in addition to undertaking Governance & Legal Audits and Board Evaluations. She holds a Masters of Law Degree in International Business Law (LLM) from the University of Hull (UK), Bachelors of Law University of Nairobi (LLB) and a Diploma of Laws from the Kenya School of Law. She is a member of the Law Society of Kenya (LSK) Chattered Institute of Arbitrators (UK) (Kenya Chapter) Institute of Certified Secretaries, East African Law Society, ICJ (Kenya Chapter), Women on Board Network (WOBN) women's corporate Directors (WCD) and FIDA.</p>

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IV. MANAGEMENT TEAM

1	 <p>Mr. Abdirahim Farah Managing Director</p>	<p>Mr. Abdirahim Mohamed Farah is the Managing Director. He was appointed on May 3rd, 2022, replacing Eng. Timothy Ngendo Mugo who held the position on acting capacity. Mr. Farah is a holder on a Bachelor Degree in Business Management from Moi University, and a Master's in Business Administration (Strategic Management) from the University of Nairobi. He also holds professional trainings and certifications in Public Policy Management from Strathmore University, and Public Procurement and Senior Management from the Kenya School of Government (KSG). He is also an Associate Member of the Marketing Society of Kenya, membership no. A1218/MSK. He has worked as a Management Trainee at KCB Bank, General Manager at Pro-phase Marketing & Publishing Ltd, Business Development Manager at SoftNet Technologies Ltd, and Group Finance Manager at Havard Africa Ltd. Thereafter, he transitioned into full time public service, initially as Chief Officer in the County Government of Mombasa, serving in the Departments of Youth & Gender, Land, Planning & Housing, Investments and later Water, Sanitation & Natural Resources.</p>
2.	 <p>Habiba Ali - GM Commercial</p>	<p>Ms Habiba Ali is currently the Ag.GM Commercial and Business development and responsible for coordinating company's business operations and ensuring adequate service delivery to the residents of Mombasa County. Ms Habiba Ali is a qualified and experienced individual with a strong academic grounding in International Development allowing her to understand the magnitude and significance of sustainable development projects. Ms Habiba Ali holds a BA Honors in International development studies with languages from the University of Portsmouth and an Msc in International development studies. She is a certified member of the Kenya Institute of Management.</p>

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3	 <p>Eng. Timothy Ngendo Mugo - General Manager Engineering & Strategy</p>	<p>Eng. Mugo is currently the General Manager for Engineering & strategy and has vast experience of more than 10 years in operations & maintenance of the water networks as well as working with development projects through strategic management of the projects and good leadership. Significantly he has acted as the Managing Director for the company and demonstrated that he is a multi-skilled professional who has been tasked with several senior responsibilities. Timothy Mugo Ng'endo is a qualified and certified member of Engineers Regulatory Board (ERB). Engineer Timothy Mugo holds a Master's certificate in International Executive Masters in Water for all and a Bachelor's degree in Operations Management from the Jomo Kenyatta University of Agriculture & Technology which has impacted significantly his management of project planning and design management to bring sustainable development for the company.</p>
4	 <p>Amos Dhadho Galole - General Manager Human Resource Management</p>	<p>Mr. Amos Galole is in charge of Human Resource Management. Mr. Galole is a certified Human Resources Management practitioner with the professional body of the Institute of Human Resource Management with a valid practicing license. He holds a Diploma in personnel management and is a qualified practitioner with Vast knowledge on industrial labour laws which has significantly Influenced his professional growth and interactions with the workforce at the organization. Mr. Amos has continuously gained vast knowledge through trainings that steer career development in the emerging trends in the industry.</p>
5	 <p>CPA Laban Kinyai Mbelenga- General Manager Finance</p>	<p>CPA Mbelenga is responsible for strategic financial planning and management, financial advisory, resource mobilization, control and reporting for the Company. He holds Master's in Business Administration (MBA)-Finance from University of Nairobi and bachelor of Commerce (Accounting) from University of Nairobi. He is a Certified Public Accountant (CPA-K) and Certified Investment and Financial Analyst (CISA II). CPA Mbelenga is a full member of Institute of Certified Public Accountants of Kenya (ICPAK).</p>

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V. CHAIRMAN'S STATEMENT

In my capacity as the Chairman of the Board at Mombasa Water Supply & Sanitation Company Limited, I am pleased to address you on a range of critical issues affecting our organization and the proactive steps we are taking to address them.

Enhancing Accessibility to Pure Water

Our moral duty mandates that we extend access to clean water to every resident of Mombasa County, particularly those residing in low-income areas, which constitute over 75% of the population. In our pursuit of this noble goal, we are channelling investments into fresh infrastructure development through collaborative ventures with the private sector. This initiative not only brings clean water to those in dire need but also generates employment opportunities and bolsters the local economy.

Prudent Water Conservation and Demand Management

We remain steadfast in our commitment to implement effective water conservation and demand management practices, aligning our actions with the Water Act (2016). We urge social activists, water vendors, and all stakeholders to assume leadership roles in the responsible stewardship of our precious water resources.

Elevating Customer Service and Support

Our foremost priority is the delivery of exemplary customer service and support. To this end, we are making substantial investments in these areas, aimed at elevating customer satisfaction levels, nurturing a robust reputation, and fostering unwavering customer loyalty and trust.

Ensuring Safety and Sustainability of Water Sources

We bear the responsibility of guaranteeing access to secure and sustainable water sources for our residents. We shall embark on a vigorous campaign to conform to national water quality standards.

Augmenting Reliability in Water Supply

Through the implementation of efficient operational and maintenance practices, we have successfully minimized water losses, resulting in a marked improvement in the reliability of our water supply. We also call upon the public to join hands in addressing non-revenue water concerns.

Our unwavering dedication lies in the enhancement of clean water accessibility, and the assurance of water source safety and sustainability. We remain confident that, with the unwavering support of our stakeholders, we will persist in our pursuit of excellence and the realization of our objectives.



OMAE NYARANDI
BOARD CHAIRMAN

Mombasa Water Supply & Sanitation Co. Ltd

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REPORT OF THE MANAGING DIRECTOR

RESULTS

The Company posted an increase in loss position from Kshs. 20.1 Million to Kshs. 48.6 Million. During the year, the company did not receive any grant from our funders in comparison with the previous years. Also the increase in operating costs and inflation necessitated the increase of loss.

COMPANY'S STRATEGIC DIRECTION

The Management and Board of Directors will continue overseeing corporate governance and offer strategic leadership in helping the Company deliver on its four agenda of reducing NRW, growing water and related revenue streams, improving collection efficiency and containing its cost of doing business. The company has particularly partnered with Development Partners; the World Bank and Africa Development Bank in overhauling and replacement of old infrastructure aimed at reducing inefficiencies in Non-Revenue Water, increase water supply and access to residents. The new Tariff has been approved and gazetted whereby it shall be implemented at the 2nd quarter of the Financial year 2023/2024.

THE CHALLENGE

The below full-cost recovery water tariff, diminishing bulk water supply, increasing non-revenue water and rising costs of operations remained the biggest challenges during this period of review. To address this, the company has embarked on renegotiating water supply balancing with CWWDA, smart metering and replacement and overhaul of infrastructure to curb NRW.

THE FUTURE

The Company is currently implementing the infrastructural Improvement Projects funded by the World Bank & aimed at increasing water supply, I am optimistic that turn-around is realizable. The Approved and Gazetted New Tariff is in place and shall be implemented at the 2nd quarter of the Financial year 2023/2024. This will see the company cover its operational costs as it moves towards financial sustainability. The Board of Directors and Management, together with World Bank Consultants are engaged in Management Turnaround Programmes that will further see the company plug its budget deficit.

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REPORT OF THE MANAGING DIRECTOR (Continued...)

APPRECIATION

We convey our appreciation to our customers who have continued to support our operations through timely payment of their bills and collaborated with us in various engagements of improving water supply levels. To the Board of Directors, Management and employees who stand with the company and offer their labour tirelessly, my recognition of your efforts is unconditionally honoured.

May we sustain the momentum of changing the fortunes of Mombasa Water.



Abdirahim Farah

Managing Director

Mombasa Water Supply & Sanitation Co. Ltd

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VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

Mombasa Water Supply and Sanitation Co. Ltd (MOWASSCO) has Eight (8) strategic themes and objectives within the current draft Strategic Plan for the FY 2023- FY 2027. These strategic pillars/ themes/ issues are as follows:



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES (continued)

1. Quality of Service

The Company places a strong emphasis on delivering exceptional quality of service to its customers. This focus area involves implementing measures to ensure a reliable and consistent water supply, efficient management of wastewater, and effective sanitation practices. The strategies employed include upgrading infrastructure, enhancing customer feedback mechanisms, and maintaining compliance with regulatory standards. By prioritizing the quality of service, MOWASSCO aims to enhance customer satisfaction, promote public health, and contribute to the overall well-being of the communities it serves.

2. Customer Perception

Recognizing the significance of customer satisfaction and perception, The Company is dedicated to shaping and improving how its customers perceive its services. The focus is on enhancing communication channels, responsiveness, and customer engagement to foster positive relationships. During the year, MOWASSCO carried out a customer identification survey to identify and know its customers. In addition, an effective complaint resolution mechanism is in place through implementation of the Enterprise Resource Planning (ERP).

3. Economic Efficiency

Economic efficiency is a key consideration for MOWASSCO as it strives to optimize its operations in a cost-effective manner. This focus area involves maximizing resource utilization, reducing operational costs, and exploring revenue enhancement through the reduction of NRW, Effective metering among others. During the Financial year in review, the company implemented a water loss reduction programs through efficient leak detection and repair, implemented an ERP system, which integrates all the company services hence improving economic efficiency, and ensure affordable service pricing.

4. Financial Concern

MOWASSCO places great importance on addressing financial concerns and ensuring financial stability. The company reviewed its regular tariff, approved by the regulator and ready for implementation in the next Financial Year. This will enhance the company's revenue streams, manage costs effectively, and strengthen financial planning and reporting. The Company has entered into partnership with Development partners like the World Bank (WB) and AFD for financial support to ensure long-term financial viability, maintain affordable service pricing, and allocate resources efficiently to meet operational and investment needs, ensuring the continuous provision of quality water and sanitation services.

5. Operational Efficiency

Operational efficiency is a key driver for MOWASSCO's success as a Water Service Provider (WSP). This focus area entails streamlining processes, optimizing workflows, and leveraging technology to enhance productivity and service delivery. The company has implemented an Enterprise Resource Planning (ERP) system with clear workflows. MOWASSCO aims to reduce operational costs, enhance service reliability, and improve the overall effectiveness and agility of its operations, ultimately benefiting the coastal communities through efficient and reliable water and sanitation services.

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES (continued)

6. Internal Process Improvements

MOWASSCO recognizes the significance of internal process improvements to drive organizational effectiveness and efficiency. This focus area involves reviewing and refining organizational workflows, communication channels, and decision-making processes. MOWASSCO may implement performance management systems, foster a culture of continuous improvement, and promote knowledge sharing and learning across the organization. By prioritizing internal process improvements, MOWASSCO aims to enhance efficiency, collaboration, and organizational effectiveness, ultimately.

7. Organizational capacity

Organizational capacity refers to an organization's potential to marshal its human, financial and other resources to actualize its strategy for the benefit of the communities and clients it serves. MOWASSCO has embarked on upskilling the staff through capacity development under the WSDP project. During the financial year, the board and management reviewed the company's Human Resource Policy & procedure manual and the Disciplinary policy & procedure manual.

8. Good Governance

MOWASSCO understands that good governance helps reduce risks and enables faster and safer growth. It can also improve organizational reputation and foster trust. Good governance assures stakeholders of the corporate purpose, direction and priorities. It therefore creates an effective framework within which authority can be delegated and decisions consistent with that framework can be made throughout the organization. Consequently, MOWASSCO in appreciation of good governance as a core strategic pillar has focused on among other things, management of accumulated old debts, data cleaning and reconciliation, OSH policies development, licenses and regulatory framework, accreditation and certification, user consultation and stakeholder engagement.

Mombasa Water Supply & Sanitation Co. Ltd

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

VIII. CORPORATE GOVERNANCE STATEMENT

Inception

This document delineates the fundamental tenets and methodologies that underpin the corporate governance framework practiced by Mombasa Water Supply & Sanitation Company Limited. Our governance system is meticulously crafted to uphold the principles of responsible and transparent management, safeguarding the interests of a diverse array of stakeholders.

Nomination and Discharge of Directors

The onus of selecting director's rests squarely with the shareholders, who are guided by the regulations prescribed by the governing body overseeing the water sector's corporate governance. These selections are made based on the candidates' relevant expertise, skillsets, and qualifications. The process for dismissing directors due to misconduct, subpar performance, or conflicts of interest is explicitly outlined in both the company's Board Charter and the Companies Act (2015). It's noteworthy that the performance evaluations of current Board Members for the previous fiscal year did not warrant any dismissal actions.

In the course of the financial year, a notable development was the appointment of a Director with a background in Engineering to the Board for the first time. This augments our long-term objective of formulating policies and strategic directions for the management of technical services. Furthermore, during this financial year, the transition of the shareholder, due to the Kenyan General Elections that brought changes to the Mombasa County executive, was represented by the Acting Chief Officer in the Department of Finance and Economic Planning. In an effort to maintain compliance with pertinent governance guidelines for public entities and water utilities, two new directors were appointed to replace the three outgoing ones, with the anticipation of additional appointments.

Functions and Responsibilities of the Board

The board assumes the vital role of overseeing the company's management while ensuring that its operations maximize value for shareholders. It also shoulders the responsibility of charting the strategic course for the company, establishing policies, and ensuring compliance with all applicable legal and regulatory provisions.

Board Charter

The company maintains a Board Charter, which delineates the roles, duties, and responsibilities of the board as well as its individual members. The charter is slated for a comprehensive review and update in the upcoming fiscal year, ensuring its continued relevance in light of evolving operational and governance dynamics.

Board Meetings

The Board of Directors convenes periodically to deliberate on significant corporate matters and assess the organization's progress. The frequency of these meetings is established by the board and typically occurs no less than four times annually.

During the aforementioned financial year, five additional extraordinary board meetings were convened to engage with the management and address emerging personnel issues. Rigorous documentation and periodic evaluations of board members' participation in these meetings were conducted to ensure the validity, legitimacy, and adherence to legal requirements of resolutions passed.

Mombasa Water Supply & Sanitation Co. Ltd

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

Corporate Governance Statement (Continuation...)

Succession Planning

The company is diligently working on various policy formulations, with particular focus on a formal succession plan. This plan aims to prepare the organization for the eventual departure of key executives or directors. It will delineate the process for identifying and grooming new leadership, ensuring a seamless transition in leadership roles. This initiative underscores our commitment to preparedness and stability, positioning us for sustained success.

Orientation and Training

Regrettably, due to financial constraints, recent additions to the board of directors have not undergone thorough orientation to familiarize themselves with the company's operations and policies. Additionally, a lack of ongoing training has hindered their preparedness to effectively discharge their duties. This includes the understanding of industry standards for corporate governance and our specific governance protocols. We are resolute in addressing this issue as a priority in the upcoming fiscal year, with comprehensive induction and training programs on the horizon, complemented by benchmarking opportunities against industry best practices.

Conflict of Interest

The company's Board has instituted a robust and obligatory protocol, mandating all directors and executives to declare potential conflicts of interest at every board and committee meeting. This requirement, implemented for this fiscal year, aims to ensure the disclosure of all interests for assessment and appropriate management or elimination. Notably, most of these interests emanated from the management staff.

Board Remuneration

Director compensation is determined by the board of directors, in accordance with government circulars and the principles enshrined in the Board Charter. The compensation structure is designed to be equitable and commensurate with the responsibilities and duties inherent to the positions. Our commitment to best practices includes an evaluation of the company's remuneration policy in the upcoming fiscal year to ensure its continued alignment with established standards.

Ethics and Conduct

The organization is actively crafting a comprehensive Code of Ethics and Conduct, serving as a clear and concise guide for the expected behaviour of all employees and directors. This document will undergo periodic reviews to maintain relevance and alignment with evolving industry standards. Integration of the Code of Ethics and Conduct into the revised Human Resource Policy Manual is in progress, closely monitored by the board and set for adoption during the upcoming fiscal year.

Governance Audit

The absence of periodic assessments of governance practices and procedures during the recent financial year may have led to deviations from industry standards and hindered our ability to effectively serve all stakeholders. This situation was largely influenced by resource constraints. To rectify this, comprehensive evaluations are planned for the coming fiscal year to gauge adherence to

Mombasa Water Supply & Sanitation Co. Ltd

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

Corporate Governance Statement (Continuation...)

governance policies and evaluate the performance of the board and directors. This proactive approach ensures our alignment with industry best practices.

Conclusion

Mombasa Water Supply & Sanitation Company Limited is unwavering in its commitment to upholding rigorous standards of corporate governance. We pledge to conduct our operations in a transparent and responsible manner. Our governance framework remains dedicated to the welfare of all stakeholders, fostering accountability and trust.

Mombasa Water Supply & Sanitation Co. Ltd

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

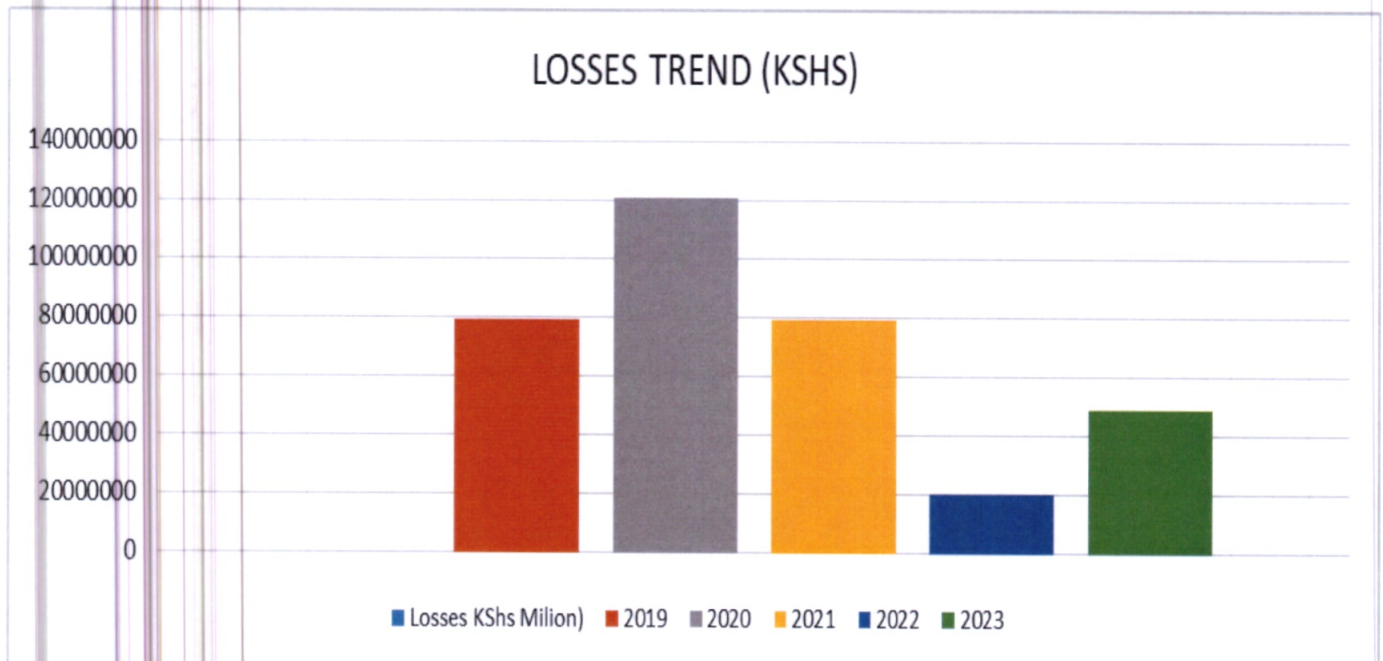
IX. MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATIONAL PERFORMANCE FOR THE YEAR

The company continued with its loss making trend in the year under review with an increase in losses to Kshs. 48.6 Million compared to previous year's loss of Kshs. 20.1 Million. The loss making is majorly attributable to aging and dilapidated infrastructure leading to high Non-Revenue Water (52%), increasing business operating costs due to inflation and reduction in water purchases from the bulk supplier, Coast Water Works Development Agency.

LOSS TREND FOR 5 YEARS

YEAR	LOSS
2019	78,986,653
2020	120,548,405
2021	78,891,997
2022	20,165,380
2023	48,623,831



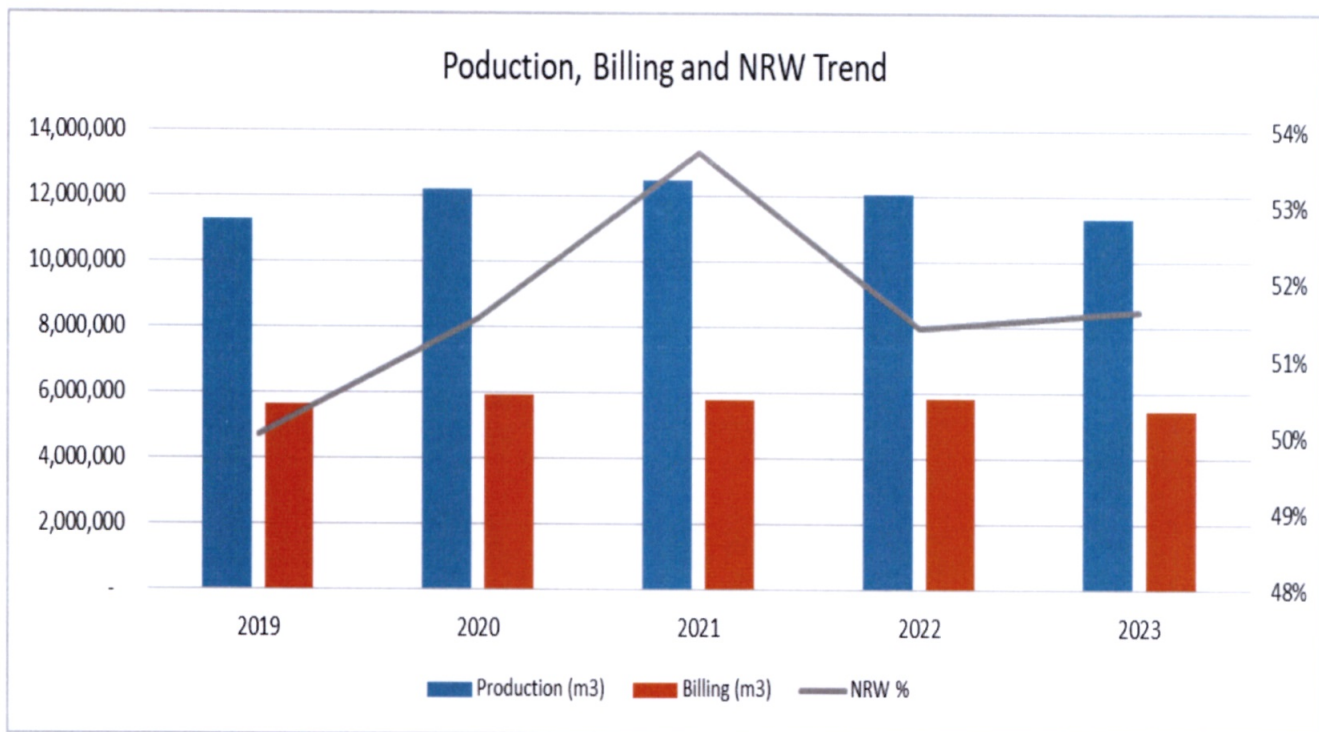
Mombasa Water Supply & Sanitation Co. Ltd

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

Management Discussion and Analysis (Continued)

PRODUCTION, BILLING AND NON REVENUE WATER (NRW) TREND

	Production (m3)	Billing (m3)	NRW %
2019	11,283,460	5639843	50%
2020	12,200,283	5912194	52%
2021	12,495,475	5784580	54%
2022	12,055,112	5856333	51%
2023	11,310,975	5469406	52%



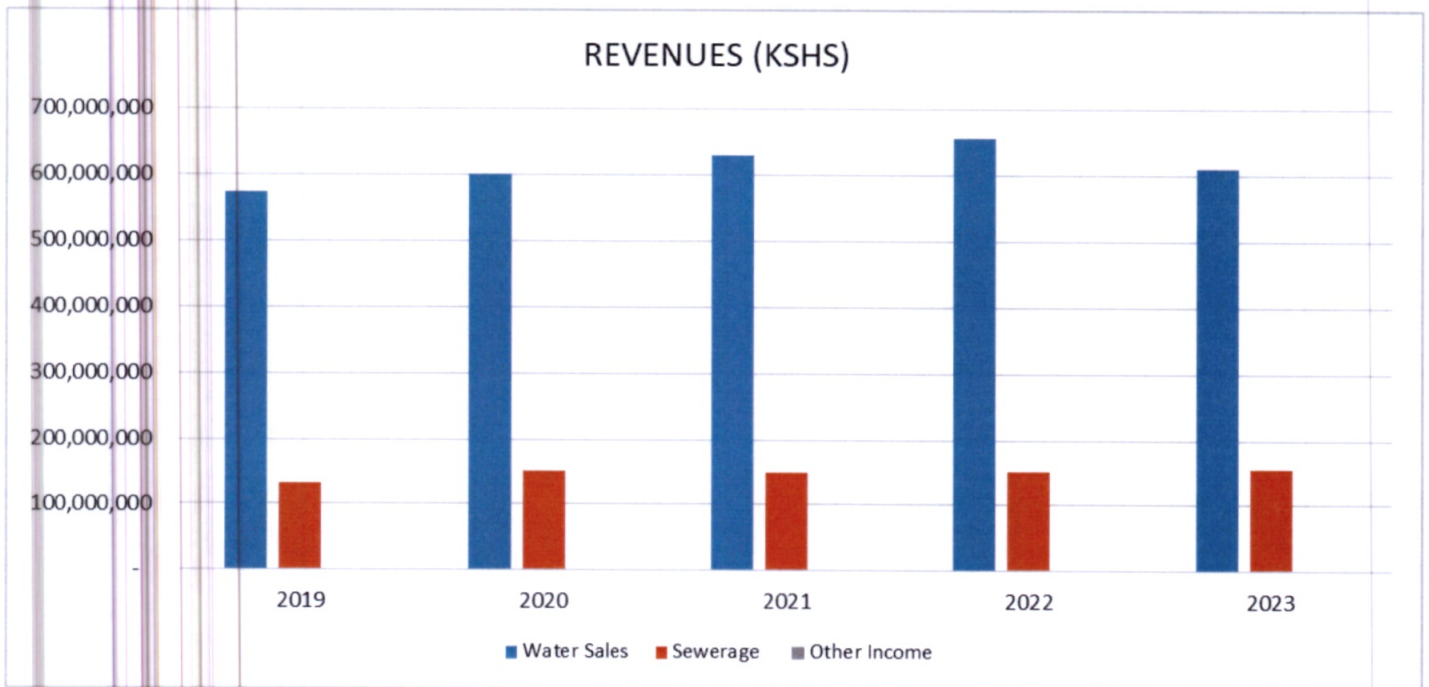
Mombasa Water Supply & Sanitation Co. Ltd

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

Management Discussion and Analysis (Continued)

REVENUES TREND AND ANALYSIS

	Water Sales	Sewerage	Other Income
2019	572,631,256	133,272,258	634,191
2020	600,460,067	151,379,514	231,186
2021	629,204,556	149,312,813	456,847
2022	656,413,235	152,010,136	972,180
2023	609,717,571	155,084,852	2,588,689



Against the backdrop of reduced water supply from sources coupled with high NRW, the company faces cash flow challenges that threaten its operations. The company has up to June 2023 accumulated more than Kshs. 2.20 Billion in accounts payable (unpaid suppliers and unremitted staff deductions). The cash flow constraints experienced by the company is a huge exposure with the debts crystalizing.

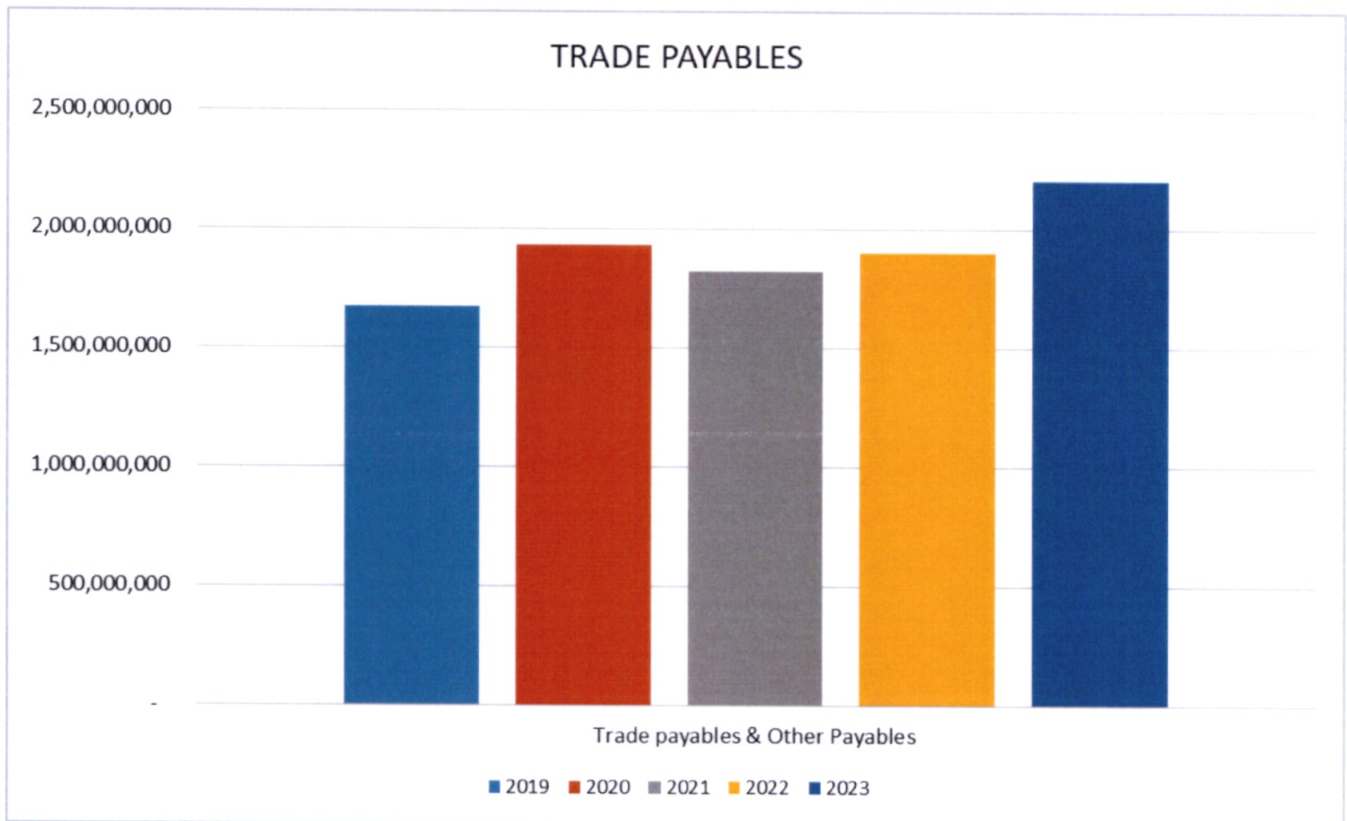
Mombasa Water Supply & Sanitation Co. Ltd

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

Management Discussion and Analysis (Continued)

TRADE PAYABLES

Trade payables & Other Payables	
2019	1,671,143,805
2020	1,933,137,511
2021	1,819,429,214
2022	1,900,432,450
2023	2,205,892,534



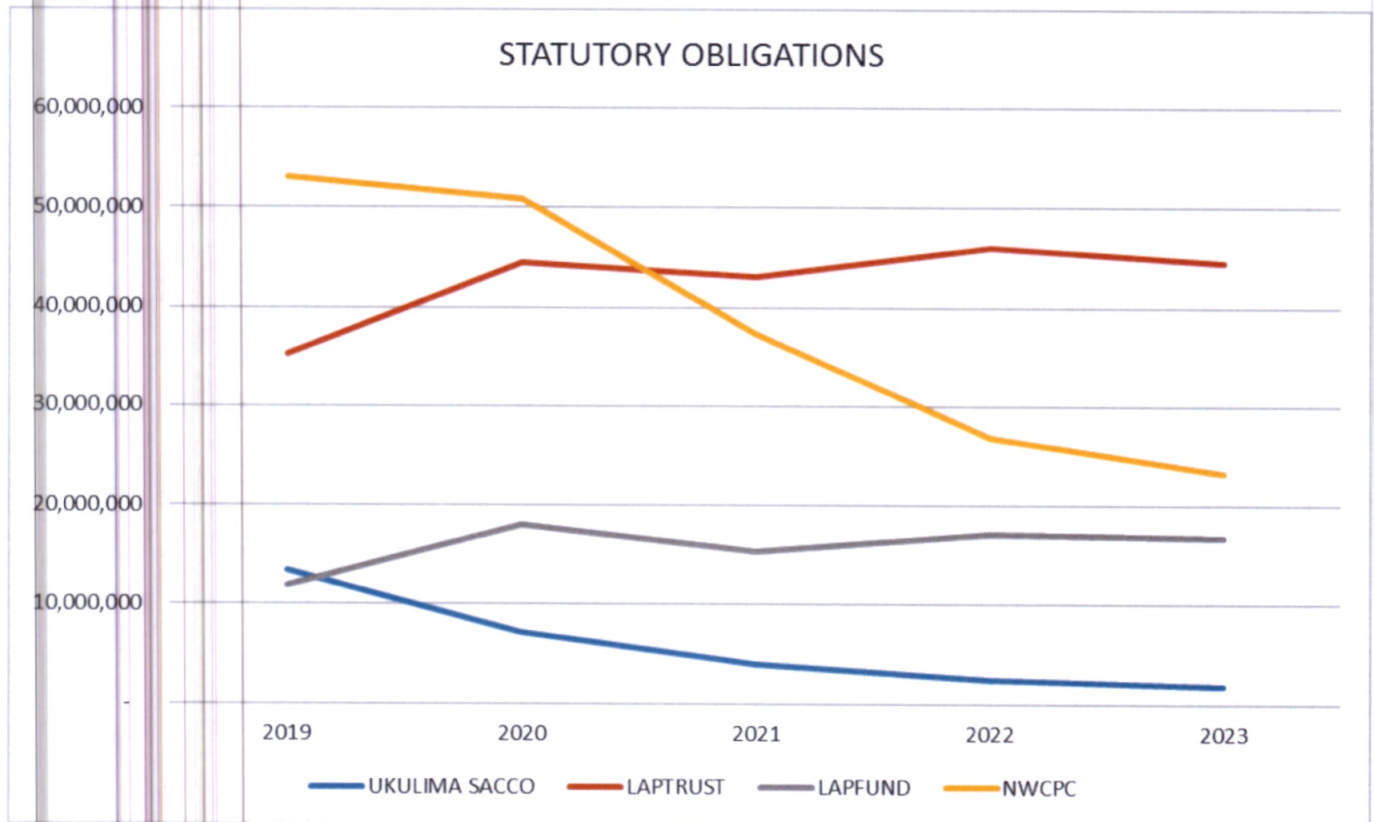
Mombasa Water Supply & Sanitation Co. Ltd

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

Management Discussion and Analysis (Continued)

STATUTORY OBLIGATIONS

	UKULIMA SACCO	LAPTRUST	LAPFUND	NWCPC
2019	13,485,021	35,291,315	11,957,021	53,128,522
2020	7,189,454	44,452,469	18,075,731	50,868,584
2021	3,941,916	43,144,131	15,363,078	37,393,888
2022	2,374,045	46,053,609	17,072,215	26,821,440
2023	1,741,914	44,520,415	16,691,877	23,297,678



Mombasa Water Supply & Sanitation Co. Ltd

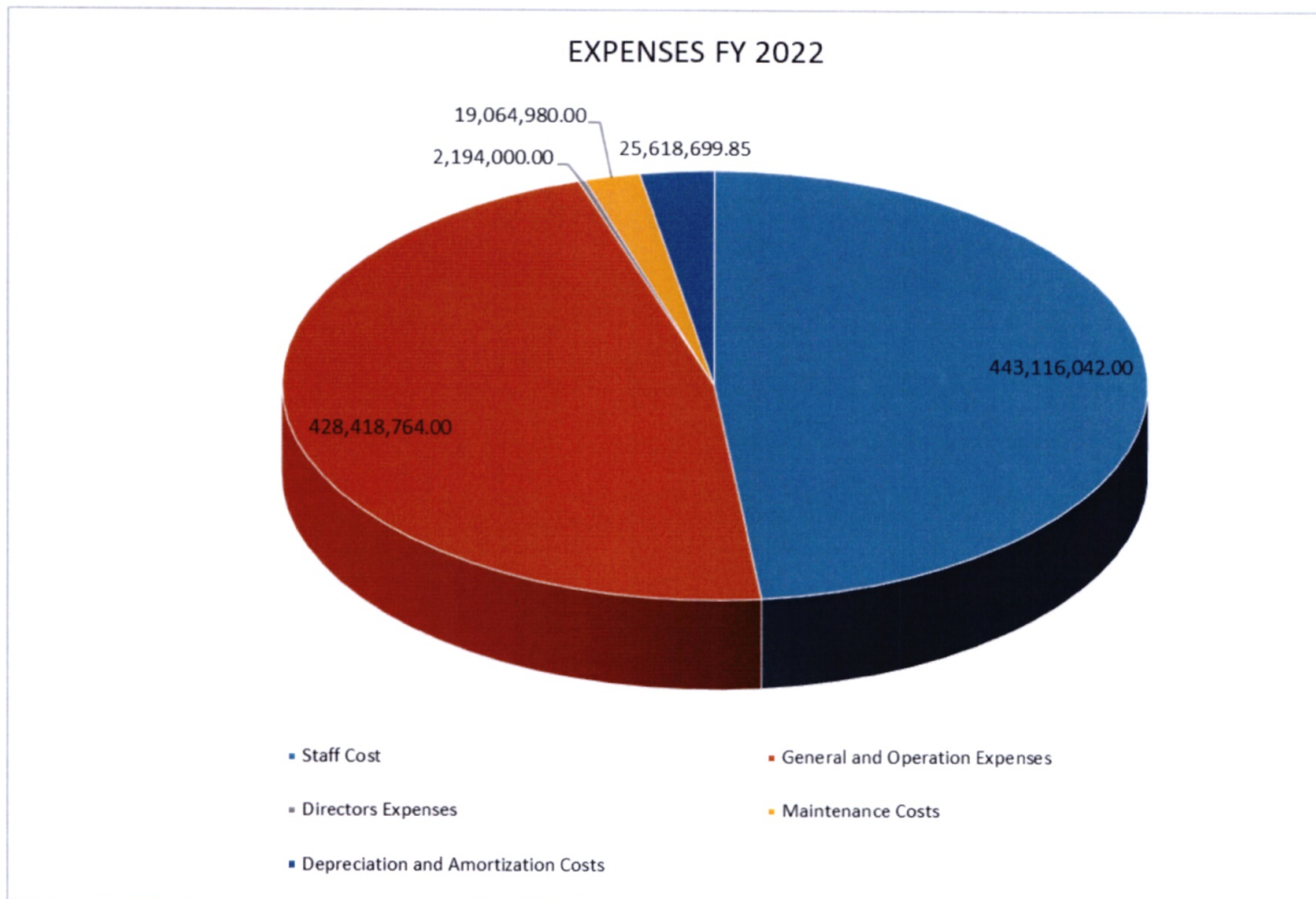
Annual Reports and Financial Statements for the year ended June 30, 2023

Management Discussion and Analysis (Continued)

EXPENSES ANALYSIS

Expenses FY 2022

Details	Amount
Staff Cost	443,116,042.00
General and Operation Expenses	428,418,764.00
Directors Expenses	2,194,000.00
Maintenance Costs	19,064,980.00
Depreciation and Amortization Costs	25,618,699.85
Finance cost	-



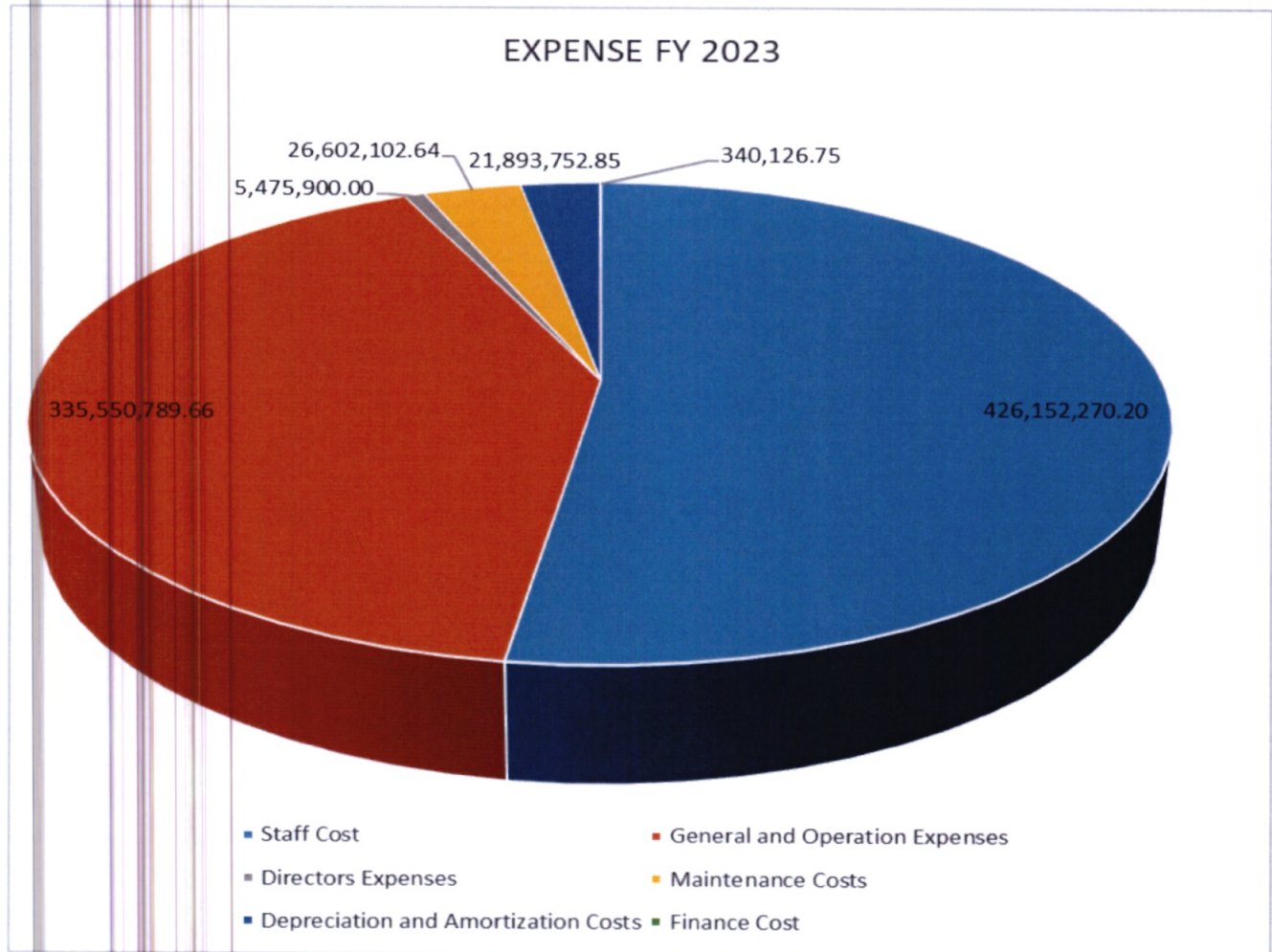
Mombasa Water Supply & Sanitation Co. Ltd

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

Management Discussion and Analysis (Continued)

Expenses – FY 2023

Details	Amount
Staff Cost	426,152,270.20
General and Operation Expenses	335,550,789.66
Directors Expenses	5,475,900.00
Maintenance Costs	26,602,102.64
Depreciation and Amortization Costs	21,893,752.85
Finance	340,126.75



Mombasa Water Supply & Sanitation Co. Ltd

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

Management Discussion and Analysis (Continued)

PROJECTS IMPLEMENTED IN THE YEAR

The Board and management have embarked on a recovery path of the company by implementing strategies aimed at reducing NRW and general company improvement. To address NRW, the company is in the process of overhauling its water and sanitation distribution network and or rehabilitation funded by the World Bank under Water and Sanitation Development Project. The main objective of the project is to support Mombasa Water Company in construction of and rehabilitation of water distribution and sanitation systems and Capacity-building and institutional strengthening activities including CIS, Improving billing & collection and NRW to support improved water and sanitation performance of Mombasa Water. The project management aims to achieve the goals through the following means:

- (i) Rehabilitating selected existing water distribution networks including selected extensions to underserved areas;
- (ii) Improving storm water outlets and combined sewer overflows in selected Mombasa County areas.
- (iii) Rehabilitating existing Waste Water Treatment Plant and Pump Stations .
- (iv) Supporting the company in capacity-building through need informed trainings and fleet acquisition to support operations.

Mombasa Water Supply & Sanitation Co. Ltd

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2023, which show the state of Mombasa Water Supply and Sanitation Company Limited.

i) Principal activities

The principal activity of the company is that of distributing water and providing sanitation services to the residents of Mombasa County

ii) Results

Below is a summary of the profit or loss made during the year.

	Ksh.
Loss before taxation	(48,623,831)
Taxation charge	Nil
Loss for the year transferred to retained earnings	(48,623,831)

iii) Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 30th June 2023.

iv) Directors

The members of the Board of Directors who served during the year are shown on page viii to x.

v) Auditors

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

By Order of the Board

Munira Mungu

Name

Secretary to the Board



Signature

20/11/2023

Date

Mombasa Water Supply & Sanitation Co. Ltd

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

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012, the companies Act 2015 and Water Act 2016 require the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Mombasa Water Supply and Sanitation Co. Ltd financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

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

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

Mombasa Water Supply & Sanitation Co. Ltd

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

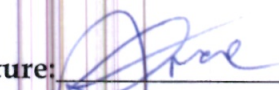
the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

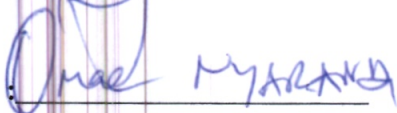
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company which have been relied upon in the preparation of the Company'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 Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

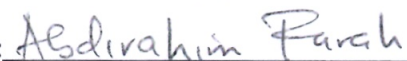
The Mombasa Water Supply and Sanitation Company Ltd financial statements were approved by the Board on _____ 2023 and signed on its behalf by:

Signature:  _____

Name:  _____

Chairman of the Board

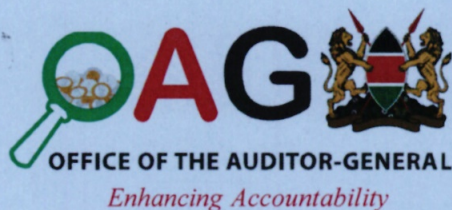
Signature:  _____

Name:  _____

Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
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Monrovia Street
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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa Water Supply and Sanitation Company Limited set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other

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

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

Basis for Qualified Opinion

1. Inaccuracies of the Financial Statements

Review of the financial statements revealed that the statement of profit or loss and other comprehensive income reflects depreciation and amortization of Kshs.21,893,753 while the supporting Note 13 to the financial statements reflect an amount of Kshs.21,539,945 resulting to a variance of Kshs.353,808 which arose due to a casting error.

Further, the statement of financial position and Note 17 to the financial statements reflects a balance of Kshs.363,886,141 in respect to trade and other receivables. However, the schedules and supporting documents provided for audit reflected a balance of Kshs.434,276,934 resulting to a variance of Kshs.70,390,793. In addition, the resultant variance was due to the inclusion of debtors with negative balances amounting to Kshs.26,593,667.

In addition, the trade receivables Note 17(a) (water billed) reflected a balance of Kshs.1,154,513,923, whereas the summation of the schedule provided for audit reflected a balance of Kshs.1,197,358,480 resulting to an unreconciled variance of Kshs.42,844,557. Further, prepaid salary (salary advance) reflected a balance of Kshs.3,087,193 while the supporting schedule provided for audit review indicated a balance of Kshs.3,020,943 resulting to a variance of Kshs.66,250 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Prepayments

The statement of financial position and Note 17 to the financial statements reflects trade and other receivables balance of Kshs.363,886,141 which include prepayments amounting to Kshs.54,752,441. However, the supporting documents provided for the audit reflected a balance of Kshs.38,870,369 on staff and director's medical insurance from an insurance company and insurance premium financing from a commercial bank. Further, the balance of prepayments amounting to Kshs.15,882,072 was not supported.

In the circumstances, the accuracy and completeness of prepayments amounting to Kshs.54,752,441 could not be confirmed.

3. Misclassification of General Provisions

The statement of financial position and Note 27 to the financial statements reflects Kshs.199,456,128 in respect of provisions. Included in these provisions is a general provision balance of Kshs.195,205,140 which includes Kshs.1,167,115 regarding inter account transfer transaction. Records provided for audit review indicated that the amount relates to an insurance premium financing deposit which was later cancelled. However, it was unclear to why an account transfer was included in the general provisions account. Further, journal entries relating to this transaction and further details on the accounting of payments and the reversal thereof were not provided for audit review.

In the circumstances, the accuracy and completeness of provisions balance of Kshs.199,456,128 could not be confirmed.

4. Unexplained Variance in Coast Water Works Development Agency Payables

The statement of financial position reflects trade and other payables of Kshs.1,901,982,646 which as disclosed in Note 26 to the financial statements includes trade payables of Kshs.1,727,643,927. This balance in turn includes Coast Water Works Development Agency (CWWDA) payables balance of Kshs.1,123,304,711 for bulk water supply. However, the audited financial statements for the Coast Water Works Development Agency for the same period reflects Kshs.1,638,664,903 as receivables from the Company, resulting in an unexplained and unreconciled variance of Kshs.515,360,192.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.1,901,982,646 could not be confirmed.

5. Failure to Maintain a Fixed Assets Register

The statement financial position and Note 15 to the financial statements reflect property, plant and equipment of Kshs.102,284,462. However, the Company does not maintain an assets register contrary to Section 149 of Public Finance Management Act, 2012, which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned ensure that the respective county government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General. The details of Company's assets, including their locations, status and values were not documented. In addition, Management failed to provide evidence of ownership of the land where the Company's head office and other offices are domiciled.

In the circumstances, the accuracy and ownership of property plant and equipment of Kshs.102,284,462 could not be confirmed.

6. Obsolete/Grouped Assets

The statement of financial position and Note 15 to the financial statement is property, plant and equipment of Kshs.102,284,462. Included in the amount are motor vehicles of Kshs.80,810,473. Review of the asset report and valuation by a local valuation company of 26 April, 2023 and Disposal Committee Minutes of 19 September, 2022 indicated that twelve(12) vehicles were grounded, out of which, four (4) vehicles were parked at a private garage exposing them to security threats as the Water Company had no contract with the garage for storage of grounded vehicles. In addition, all the nine (9) tuk tuks and six (6) motorbikes were not in use.

In the circumstances, the accuracy and completeness of the motor vehicle Balance of Kshs.80,810,473 could not be confirmed.

7. Long Outstanding Trade Receivables

The aging analysis of the gross trade receivables as disclosed in Note 17(a) to the financial statements reflects total trade receivables outstanding for more than 180 days of Kshs.1,072,914,991 or 93% of the total analysed outstanding balance of Kshs.1,154,513,923 as at 30 June, 2023. However, no evidence was provided indicating that Management has made any efforts to collect these debts.

In the circumstances, the collectability and validity of the trade receivables balance of Kshs.1,154,513,923 is doubtful.

8. Non- Reconciling Items in Cashbook

The statement of financial position and Note 18 to the financial statements reflects cash and cash equivalents balance of Kshs.127,278,144 out of which Kshs.9,547,188 is cash book balance for MOWASSCO Revenue Account. Review of bank reconciliation statement for this account indicated the following anomalies:

- i. The bank balance and the cash book balance for all the twelve months in the year under review were the same. Audit evidence revealed that at the end of each month all the outstanding payments and receipts in the bank statement which had not been recorded in the cash book were recorded in the cash book using the information from the bank statement defeating the reason for bank reconciliations thus an indicator of a weak internal control.
- ii. Review of the journal vouchers raised in recording the amounts in the bank statement but not recorded in the cashbook from July, 2022 to March, 2023 indicated that while Kshs.13,129,558 was recorded in the cashbook directly from the bank statements, bank slips for Kshs.8,420,176 had been presented for receipting and payments worth Kshs.4,709,380 had not been receipted leading to an overstatement of cash and bank balance as the unrepresented slips formed part of the bank balance and were also not recorded under trade payables. In addition, the journals for the months of April, 2023 to June, 2023 were not presented for audit review.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.127,278,144 could not be confirmed.

9. Failure to Investigate and Correct Discrepancies in Cash Books

The statement of financial position and Note 18 to the financial statements reflects cash and cash equivalents balance of Kshs.127,278,144. Included in this balance are cashbook balances for the customer deposit account-Equity Bank, MOWASSCO- WSTF Project A/C-Coop Bank, MOWASSCO WSDP A/C- Equity Bank and of Mpesa control accounts whose reported bank balances differed with the cashbook balances recorded in the accounts bank reconciliation statements as below:

Account Name	Amount Recorded in the Bank Reconciliation Statement (Kshs.)	Cash Book Balance (Kshs.)	Variance (Kshs.)
Customer Deposits Account-Equity Bank	1,039,454	1,045,020	(5,566)
MOWASSCO- WSTF Project A/C-Coop Bank	56,195,814	55,586,218	609,596
MOWASSCO WSDP A/C- Equity Bank	8,707,418	9,621,542	(914,124)
Mpesa Control Account	4,065,481	3,818,216	247,265

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.127,278,144 could not be confirmed.

10. Long Outstanding Trade and Other Payables

The statement of financial position and Note 26 to the financial statements reflects trade and other payables balance of Kshs.1,901,982,646 which includes bin/refuse payables of Kshs.2,523,393 to the defunct Mombasa Municipal Council which have been outstanding for a long period. However, the balance was neither supported with relevant documents nor did Management explain how the payable will be cleared from its books of account now that the entity owed is defunct.

In the circumstances, the accuracy and completeness of the bin/refuse payables of Kshs.2,523,393 could not be confirmed.

11. Irregular Purchase of Fuel

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects maintenance expenses of Kshs.26,602,103. Out of this amount, Kshs.14,012,510 was spent on fuel expenses. The Water Company entered into a contract with a local energy company on 1 September, 2022 for the supply of fuel and lubricants at a monthly cost of Kshs.1,980,960 for a period of six (6) months ending 28 February, 2023. However, the contract was varied to end on 30 April, 2023.

Review of the payment documents indicated that Kshs.11,412,000 was paid to the Company before delivery of the fuel and the issuance of the inspection and acceptance certificate by the Water Company using pro forma invoices. In addition, the monthly total amount spent summary for the month of April, 2023 to June, 2023 indicated that the Company had received fuel worth Kshs.2,770,000 yet Kshs.3,800,000 had been paid to the fuel company using proforma invoices in the same period. However, this prepayment was not reflected in the statement of financial position as at 30 June, 2023.

In the circumstances, the accuracy and propriety of Kshs.14,012,510 spent on fuel could not be confirmed.

12. Provision of Service Without a Contract or Approval

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects maintenance expense of Kshs.26,602,103 which include an amount of Kshs.411,777 spent on bus and rail fares. Included in the bus fare is Kshs.364,877 spent on provision of taxi services. However, neither the service level agreement between the Water Company and the service provider nor the approval to use the services by the accounting officer were provided for audit review.

In the circumstances, the propriety of Kshs.364,877 spent on provision of taxi services could not be confirmed.

13. Failure to Disclose Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss before tax of Kshs.48,623,831 (2022: Kshs.20,165,380), resulting to the Company's accumulated loss of Kshs.2,182,511,997 as at 30 June, 2023 (2022: Kshs.2,097,527,856). Further, the current liabilities of Kshs.2,205,892,534 exceeded the current assets of Kshs.492,460,810, resulting in a negative working capital of Kshs.1,713,431,724 as at 30 June, 2023. The negative liquidity position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern.

The financial statements, however, have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Mombasa and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

In the circumstances, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due and it may continue to depend on support from the County Government and creditors.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mombasa Water Supply and Sanitation Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in

accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenues budget and actual on a comparable basis of Kshs.985,213,441 and Kshs.767,391,111 respectively, resulting to an under-performance of Kshs.217,822,330 or 22% of the budget. The under-performance balance of Kshs.217,822,330 is however at variance with that of Kshs.220,226,918 reflected in the statement. The variance of Kshs.2,404,588 has not been explained or reconciled. Similarly, the Company expended Kshs.816,014,942 against an approved budget of Kshs.983,726,759, resulting to an under-expenditure of Kshs.167,711,817 or 17% of the budget.

The under-performance and under-expenditure might have impacted negatively on implementation of planned activities and service delivery to the stakeholders.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of 2021/2022 financial year several audit issues were raised. However, the issues remained unresolved as at 30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues. Further, the status of the unresolved prior year issues are not disclosed in the progress on follow up of auditor's recommendations section of the financial statements as required by the financial reporting guidelines issued by the Public Sector Accounting Standards Board.

Other Information

The Directors and Management are responsible for the other information, which comprises (The Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Responsibilities, Environmental and Sustainability Reporting 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 consolidated 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 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue of Kshs.764,802,423, which includes water sales of Kshs.609,717,571. Records provided for audit review indicated that the Company produced 11,310,975 cubic meters of water, out of which 5,469,406 cubic meters or 48% was billed to customers. The unbilled amount of 5,841,569 cubic meters of water, or 52%, represented Non-Revenue Water which is more than the maximum allowable loss of 25% by the Water Services Regulatory Board (WASREB) Guidelines. The unbilled water of 5,841,569 cubic meters may have resulted into loss of sales estimated at Kshs.648,414,159 at the rate of Kshs.111 per cubic meter.

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

2. Un-Procedural Closure and Opening of Bank Accounts

The statement of financial position and Note 19 to the financial statement reflect bank and cash balances of Kshs.127,278,144 which include Kshs.3,339,492 as cashbook balance for WSTF - Chamunyu Project bank account that was not among the Company's bank accounts in the comparative year. Management explained that the account was opened during the year. However, no evidence was provided to indicate that the accounting officer received prior authority from the County Treasury to open the account. In addition, three bank accounts, Revenue A/C-Coop Bank, Expenditure A/C-Coop Bank and Customer Deposit A/C- Cooperative Bank accounts, were closed during the year under review. The cash books and the bank reconciliation statements up to the time of closure of the accounts were not provided for audit review. This was contrary to Regulation 82 of the Public Finance Management (County Governments) Regulations, 2015 which provides that except with prior authority of the county treasury, no accounting officer may open a bank account for deposit, custody or withdrawal of public moneys or other moneys for which he or she is responsible in his or her official capacity or the transaction of official banking business.

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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, 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 the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the 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 my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and
- (iii) The Company's financial statements are in agreement with accounting records and returns.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective manner, 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 Company'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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA **Nancy Gathungu, CBS**
AUDITOR-GENERAL

Nairobi

29 April, 2024

Mombasa Water Supply & Sanitation Co. Ltd

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

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

		2023	2022
	Notes	Kshs	Kshs
REVENUE			
Operating Revenue	6	764,802,423	808,423,371
Grant Income	7	0	88,851,556
Finance Income	8	2,404,588	0
Other Income	8	184,101	972,180
TOTAL REVENUES		767,391,111	898,247,106
OPERATING EXPENSES			
Staff Costs	9	426,152,270	443,116,042
General and Operation Expenses	10	335,550,790	428,418,764
Directors Expenses	11	5,475,900	2,194,000
Maintenance Expenses	12	26,602,103	19,064,980
Depreciation and Amortization Expenses	13	21,893,753	25,618,700
Finance Costs	14	340,127	0
TOTAL EXPENSES		816,014,942	918,412,486
Profit/(Loss) before tax		(48,623,831)	(20,165,379)
Income Tax Expense		-	-
PROFIT/ (LOSS) AFTER TAXATION		(48,623,831)	(20,165,380)
OTHER COMPREHENSIVE INCOME			
PROFIT/ (LOSS) AFTER TAXATION		(48,623,831)	(20,165,380)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(48,623,831)	(20,165,380)

Mombasa Water Supply & Sanitation Co. Ltd

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


XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

		2023	2022
	Note	Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	102,284,462	107,611,521
Intangible assets	16	4,362,683	5,911,508
Amount due from shareholders	23	5,000,240	5,000,240
Work in Progress plant & machinery-WSDP	24	660,517,082	423,981,471
Total Non-Current Assets		772,164,468	542,504,740
Current Assets			
Trade and other receivables	17	363,886,141	154,002,188
Inventories	18	1,296,525	0
Bank and cash balances	19	127,278,144	145,146,852
Total Current Assets		492,460,810	299,149,040
TOTAL ASSETS		1,264,625,277	841,653,780
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	20	5,000,240	5,000,240
Capital reserve	21	485,003,469	485,003,469
Retained earnings	22	(2,182,511,997)	(2,097,527,856)
Capital and Reserves		(1,692,508,288)	(1,607,524,147)
Non-Current Liabilities			
WSDP Loan	25	736,762,591	538,593,751
Service gratuity	25	14,478,440	10,151,725
Total Non-Current Liabilities		751,241,032	548,745,476
Current Liabilities			
Trade and other payables	26	1,901,982,646	1,900,432,450
Provisions	27	199,456,128	0
Customer Deposits	28	104,453,759	0
Total Current Liabilities		2,205,892,534	1,900,432,450
TOTAL EQUITY AND LIABILITIES		1,264,625,277	841,653,780

Mombasa Water Supply & Sanitation Co. Ltd

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

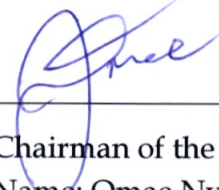
The financial statements were approved by the Board on _____ 2023 and signed on its behalf by:



Managing Director
Name: Abdirahim Farah



GM-Finance & Admin
Name: CPA Wincate Musyoka
ICPAK M/No: 12239



Chairman of the Board
Name: Omae Nyarandi

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

	Share Capital	Retained Earnings	Capital Reserve	Total
	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	5,000,240	(2,077,362,476)	485,003,469	(1,587,358,767)
Prior year Adjustments		-		-
Net profit for the year		(20,165,380)		(20,165,380)
At 30th June 2022	5,000,240	(2,097,527,856)	485,003,469	(1,607,524,147)
At 1st July 2022	5,000,240	(2,097,527,856)	485,003,469	(1,607,524,147)
Prior year Adjustments		(36,360,311)		(36,360,311)
Net profit for the year		(48,623,831)		(48,623,831)
At 30th June 2023	5,000,240	(2,182,511,997)	485,003,469	(1,692,508,288)

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2023

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		2023	2022
	Note	Kshs	Kshs
Cash flows from operating activities			
Revenue			
Operating Revenue	6	764,802,423	808,423,371
Grant Income	7	0	88,851,556
Finance Income	8	2,404,588	0
Other Income	8	184,101	972,180
Total Revenue		767,391,111	898,247,106
Expenses			
Staff Costs	9	426,152,270	443,116,042
General and Operation Expenses	10	335,550,790	428,418,764
Directors Expenses	11	5,475,900	2,194,000
Maintenance Expenses	12	26,602,103	19,064,980
Finance Costs	14	340,127	0
Prior year Adjustments		36,360,311	0
Total Expenses		830,481,500	892,793,786
Change in trade and other receivables	17	(209,883,953)	16,750,769
Change in Inventories	18	(1,296,525)	0
Change in trade and other payables	26	1,550,197	1,003,236
Provisions	27	99,456,128	0
Customer Deposits	28	104,453,759	0
Net Cash From/(Used In) Operating Activities		31,189,218.00	103,207,325
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	15	(15,017,869)	(18,569,830)
Work in Progress plant & machinery-WSDP	24	(236,535,612)	(186,552,376)
Net cash (used in) investing activities		(251,553,481)	(205,122,206)
Cash flows from financing activities			
Share Capital		0	0
Borrowings	25	202,495,555	62,983,156
Net cash (used in) financing activities		202,495,555	62,983,156
Net (decrease) in cash and cash equivalents		(17,868,708)	(38,931,726)
Cash and cash equivalents at Beginning of Year		145,146,852	184,078,578
Cash and cash equivalents at End of the Year	19	127,278,144	145,146,852

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	934,544,000	0	934,544,000	764,802,423	(169,741,577)	-18%
Grant Income	42,489,388	8,000,000	50,489,388	0	(50,489,388)	0%
Finance Income	200,000	0		2,404,588	0	
Other Income	180,053	0	180,053	184,101	4,048	2%
Total income	977,413,441	8,000,000	985,213,441	767,391,111	(220,226,918)	-22%
Expenses						
Staff Costs	464,150,395	(3,732,903)	460,417,492	426,152,270	34,265,222	7%
General and Operation Expenses	436,324,694	15,684,443	452,009,137	335,550,790	116,458,347	26%
Directors Expenses	8,920,000	0	8,920,000	5,475,900.00	3,444,100	39%
Maintenance Expenses	40,900,000	(4,000,000)	36,900,000	26,602,103	10,297,897	28%
Finance Costs	150,000	0	0	340,127	(340,127)	
Depreciation and Amortization Expenses	25,480,130	0	25,480,130	21,893,753	3,586,377	14%
Total Recurrent Expenditure	975,925,219	7,951,540	983,726,759	816,014,942	167,711,817	17%
Profit or (Loss)	1,488,222	0	1,486,682	(48,623,831)	50,110,512	3371%
Capital Expenditure	23,115,000	830,229,408	853,344,408	15,017,869	838,326,539	98%
Total Expenditure	999,040,219	838,180,948	1,837,071,167	831,032,811	1,006,038,356	55%

XVIII NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Mombasa Water Supply & Sanitation Co. Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the County Government of Mombasa and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to the residents of Mombasa County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)
i. New and amended standards and interpretations

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes	The amendments are effective for annual periods beginning on or after

Mombasa Water Supply & Sanitation Co. Ltd

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

Title	Description	Effective Date
cent' Test for De-recognition of Financial Liabilities	when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

Mombasa Water Supply & Sanitation Co. Ltd

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations*

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

Mombasa Water Supply & Sanitation Co. Ltd

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Title	Description	Effective Date
(issued in February 2021)		permitted.
IAS 12 – Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a 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:

Summary of Significant Accounting Policies

Item	Rates
Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Water Meters	12.5%
Computer software	30%
Bicycles	25%

Depreciation charge is recognised in prorata basis both in the year of asset purchase and in the year of asset disposal.

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a 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 and impairment of intangible assets

Amortisation is calculated on the 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.

Summary of Significant Accounting Policies

g) Investment property

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

h) Right of Use Asset

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

Summary of Significant Accounting Policies

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary

Summary of Significant Accounting Policies

differences can be utilized.

The joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) Borrowing costs

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

Summary of Significant Accounting Policies

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company does not have an in-house pension scheme and has allowed its employees on permanent & pensionable terms to join pension scheme of their choice and contribute 7.5% of their basic pay and the company doubles the contribution(15% of the basic pay). The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080.00 Per employee per month.

Summary of Significant Accounting Policies

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 25th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded inter vote budget re-allocation on the 2022-2023 budget following the governing body's approval on April 2023. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

w) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that

Summary of Significant Accounting Policies

asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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 NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

Description		2023	2022
		Kshs	Kshs
6	Operating Revenues		
	Water Sales	609,717,571	656,413,235
	Sewerage Sales	145,465,841	146,392,208
	Billing for other services*	9,619,011	5,617,928
	TOTAL	764,802,423	808,423,371

* Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water surcharge, tenant allocation etc.

7. Grants Income

Description		2023	2022
		Kshs	Kshs
	Grant - WSTF CLSG	0	88,851,556
	Grant - WSDP	0	0
		0	88,851,556

8. Other Income

Description		2022-2023	2021-2022
		Kshs	Kshs.
	Commission on employees' insurance premiums	184,101	224,939
	Finance income	2,404,588	747,241
	Other Income	2,588,689	972,180

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Staff Costs

Description		2,023	Restated 2022	Audited 2022
		Kshs	Kshs	Kshs
Gross Salary & Allowances	Acting Allowance	324,807,373	338,917,789	31,208
	Basic Salaries			209,470,680
	Leave Allowance			8,197,500
	Entertainment Allowance			40,000
	House Allowances			77,634,000
	Supervisory Allowance			300,000
	Meter reading allowance			1,290,000
	Extraneous duties allowance			9,140,040
	Commute Allowance			32,814,361
Service Gratuity	Gratuity	4,326,715	2,948,638	2,948,638
Casual employee Wages	Casual Wages	177,755	-	-
Other allowances		2,046,000	448,000	-
Payment in lieu of leave days	Leave -days Equivalent pay	-	668,834	668,834
Employers Pension Contribution	Pension-Employers Contribution	29,764,781	35,016,088	35,016,088
Staff Welfare	Staff Welfare Expenses	15,743,843	14,299,165	7,046,824
	Workmen Compensation Insurance			266,192
	Uniform and Protective Clothing			364,960
	Training			1,645,980
	Retirement Token			1,486,198
	Group Life Insurance			2,683,500
	Daily Subsistence Allowance			2,105,350
	Insurance - General			874,707
Medical Expenses	Medical Expenses	49,285,804	49,090,983	49,090,983
Total Staff costs		426,152,270	441,389,496	443,116,042
The average number of employees		339	352	352

*The above staff cost table has been realigned to reporting template hence the recast opening balance changes from Kshs. 443,116,042.00 to 441,389,496.00

*The Gross Salary and allowance comprises of Basic salaries, House allowances, Commute allowances, Leave allowance & other payroll allowances paid during the year.

*Other allowances includes the meal and Bonus allowances paid to employees during the year

*Staff Welfare - includes Group life, WIBA, Funeral, office tea, Daily subsistence and terminal benefit.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. General and Operations Expenses

Description		2022-2023	Restated 2021-2022	Audited 2021-2022
		Kshs	Kshs	Kshs
Operation and maintenance – WSDP	O&M WSDP Project	-	31,544,536	31,544,536
Bulk Water Purchases	Purchase of Bulk Water	226,219,498	241,102,240	241,102,240
Operation and maintenance - Water network	Maintenance of water supply	13,580,858	18,596,883	18,596,883
Operations and Maintenance - sewer network	Maintenance – Sewerage	4,753,759	7,709,782	7,709,782
Office Cleaning & Maintenance	Cleaning Costs	2,219,506	2,343,282	2,343,282
Newspapers and Periodicals	Newspapers & Periodicals	-	19,200	19,200
Laboratory Expenses	Laboratory Expenses	354,206	361,688	361,688
Bad Debts- Water Receivables Expense	Bad Debts	17,620,500	50,158,128	50,158,128
Penalties and Fines	Fines and Penalties	-	183,873	183,873
Regulatory Levy-WASREB	Levy Fees – WASREB	30,198,336	32,112,218	32,112,218
Corporate Membership Fee-WASPA	Subscription fees	52,100	799,829	799,829
Bank Charges & Commissions	Bank Charges	1,652,614	994,194	994,194
Office Electricity	Electricity , Offices and Kipevu	3,208,750	2,481,534	2,481,534
Staff Training and Development	Training	43,600	1,645,980	-
Insurance General		99,767	99,766	-
Air Travel		834,535	770,875	-
Bus/Rail Travel & Outsourced services		411,777	947,224	-
Security –Guards	Security & Surveillance	10,140,670	15,780,000	-
Security – Alarms		164,099	186,115	15,966,115
Consultancy expenses	Contracted Professional Services	2,042,500	474,000	474,000
Legal Fees	Legal Costs	1,925,568	2,108,935	2,108,935
Audit Fees	Audit Fees	750,000	1,500,000	1,500,000
Operating Systems-Licence Fees	Licences	4,367,915	3,025,823	3,025,823
Postage and Courier Services	Courier Expenses	9,750	12,490	12,490
Mobile-Mobile telephones	Telephone Expenses	4,633,100	5,401,000	5,401,000
Printing and Stationery	Printing & Stationery	2,146,550	1,895,233	1,895,233
Internet Provision, connectivity and data	Internet Connection	6,744,887	8,259,521	8,259,521
Newspaper Advertising	Newspaper/Radio/TV Advert.	621,284	1,330,150	1,330,150
Radio & TV Advertising		69,600	-	-
Corporate Social Responsibility (CSR)	Other advertising expenses/CSR	685,060	5,730	5,730
	Withheld Interest Expense	-	32,380	32,380
		335,550,790	431,882,609	428,418,764

*The above General and operation expense table has been re-aligned to reporting template hence the recast opening balance changes from Kshs. 428,418,764.00 to 431,882,609.00

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs.
Directors' Travelling	27,500.00	0
Sitting Allowance	1,940,000.00	1,234,000.00
Chairman's Honorarium	960,000.00	960,000.00
Secretarial Services	2,548,400.00	0.00
	5,475,900.00	2,194,000.00

12. Maintenance Expenses

Description		2022-2023	Restated 2021-2022	Audited 2021-2022
		Kshs	Kshs	Kshs
Repairs & Maintenance - Motor vehicles	Motor Vehicles	22,917,693	15,744,118	17,462,217
Repairs & Maint. of Buildings	Buildings	389,341	592,521	592,521
Repairs & Maint. of Equipment	Plant and Equipment	3,295,070	1,010,242	1,010,242
		26,602,103	17,346,881	19,064,980

*The above Maintenance Expenses table has been re-aligned to reporting template hence the recast opening balance changes from Kshs. 19,064,980 to 17,346,881

13. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs.
Property, Plant and Equipment	20,344,927.86	23,526,907
Intangible Assets	1,548,824.99	2,091,793
Total	21,539,944.79	25,618,700

14. Finance Cost

Description	2022-2023	2021-2022
	Kshs	Kshs.
WHT Interest Expense	340,127	32,380

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2022	8,986,422	129,118,779	11,495,044	30,572,519	3,969,803	15,932,879	85,909,584	12,241	285,997,270
Additions	9,197,400	0	625,900	2,109,000	0	1,198,424	1,887,145	0	15,017,869
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2023	18,183,822	129,118,779	12,120,944	32,681,519	3,969,803	17,131,303	87,796,729	12,241	301,015,140
Depreciation									
As at 1st July 2022	6,123,271	66,925,656	5,653,364	24,765,054	665,199	12,236,897	62,004,511	11,798	178,385,750
Charge for the year	433,891	13,884,817	717,718	1,745,352	81,675	512,872	2,968,504	99	20,344,928
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2023	6,557,162	80,810,473	6,371,081	26,510,406	746,874	12,749,769	64,973,015	11,897	198,730,678
Net Book Value									
As at 30th June 2023	11,626,659	48,308,305	5,749,863	6,171,112	3,222,929	4,381,534	22,823,715	344	102,284,462
As at 1st July 2022	2,863,150	62,193,122	5,841,680	5,807,465	3,304,604	3,695,983	23,905,073	443	107,611,521

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property , Plant & Equipment as at 30th June 2022									
	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2021	8,823,442	117,918,779	6,873,949	30,139,519	3,969,803	15,714,859	83,974,849	12,241	267,427,440
Additions	162,980	11,200,000	4,621,095	433,000	0	218,020	1,934,735	0	18,569,830
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2022	8,986,422	129,118,779	11,495,044	30,572,519	3,969,803	15,932,879	85,909,584	12,241	285,997,270
Depreciation									
As at 1st July 2021	5,770,426	50,034,100	5,035,096	22,794,272	581,454	11,731,191	58,900,634	11,671	154,858,843
Charge for the year	352,845	16,891,557	618,268	1,970,782	83,745	505,706	3,103,877	127	23,526,907
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2022	6,123,271	66,925,656	5,653,364	24,765,054	665,199	12,236,897	62,004,511	11,798	178,385,750
Net Book Value									
As at 30th June 2022	2,863,150	62,193,122	5,841,680	5,807,465	3,304,604	3,695,983	23,905,073	443	107,611,521
As at 1st July 2021	3,461,789	75,088,685	2,085,060	3,452,786	3,474,216	4,741,559	25,713,628	734	118,018,456

The Company uses assets inherited from Coast Water Works Development Agency (CWWDA). The transfer of Assets and Liabilities by the National Government to the devolved units including the counties is still pending to date. As per the Water Act 2016 section 131(2) we are not supposed to pay any fee for the use of public assets.

Mombasa Water Supply & Sanitation Co. Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Intangible Assets

	Computer Software	Total
Cost	Kshs	Kshs
As at 1st July 2022	34,044,571	34,044,571
Additions	0	0
Disposals	-	-
As at 30th June 2023	34,044,571	34,044,571
AMORTISATION		
As at 1st July 2022	28,133,062	28,133,062
Charge for the year	1,548,825	1,548,825
Disposals	-	-
As at 30th June 2023	29,681,887	29,681,887
Net Book Value		
As at 30th June 2023	4,362,683	4,362,683
As at 1st July 2022	5,911,508	5,911,508

	Computer Software	Total
Cost	Kshs	Kshs
As at 1st July 2021	34,044,571	34,044,571
Additions	-	-
Disposals	-	-
As at 30th June 2022	34,044,571	34,044,571
AMORTISATION		
As at 1st July 2021	26,041,269	26,041,269
Charge for the year	2,091,793	2,091,793
Disposals	-	-
As at 30th June 2022	28,133,062	28,133,062
Net Book Value		
As at 30th June 2022	5,911,508	5,911,508
As at 1st July 2021	2,456,154	2,456,154

The intangible assets include the financial system software, payroll software and other computer software.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Trade and Other Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs.
Accounts Receivables - Water (billed)	1,154,513,923	943,060,090
Prepayments	54,752,441	38,935,653
Escrow Account- WASREB Bond	5,500,000	5,500,000
VAT	51,861,040	51,861,040
Prepaid Salary (Salary Advances)	3,087,193	2,853,362
Gross Trade and Other Receivables	1,269,714,597	1,042,210,144
Provision for doubtful debts	(905,828,456)	(888,207,956)
Trade and other receivables	363,886,141	154,002,188

17 (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	1,154,513,923	943,060,090
Provision for doubtful receivables	(905,828,456)	(888,207,956)
Net trade receivables	248,685,467	54,852,133
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Period outstanding	Balance	Balance
<30 days	12,820,612	1,366,242
>30-<60 days	1,009,273	4,913,567
>60-<90 days	67,863,251	22,613,148
>90-<120 days	(94,204)	13,941,755
>120-<150 days	0	1,192,165
>150-<180 days	0	13,179,742
>180 days	1,072,914,991	885,853,471
Total as at 30th June, 2023	1,154,513,923	943,060,090

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs.
Stocks-Office Stationery	1,296,525	0
TOTAL INVENTORIES	1,296,525	0

19. Bank and Cash Balances

Description	2022-2023	2021-2022
	Kshs	Kshs.
Cash at Bank	117,177,913	139,515,445
Cash in hand	0	0
Posta Pay	4,374,847	4,273,251
Mpesa	4,065,481	174,160
Airtel Money	1,659,903	1,183,996
Total	127,278,144	145,146,852

20. Ordinary Share Capital

Description	2023	2022
	Kshs	Kshs
20 Share Capital		
Authorized number of ordinary shares 5,000 per value of Kshs 1,000 each and 12 number of ordinary shares per value of Kshs 20. Issued but not paid up 5,012 Ordinary Shares	5,000,240	5,000,240
Total	5,000,240	5,000,240

21. Capital Reserves

Description	2023	2022
	Kshs	Kshs
As at 30th June	485,003,469	485,003,469
Total	485,003,469	485,003,469

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Retained Earnings

Description	2023	2022
	Kshs	Kshs
As at 1st July	(2,097,527,856)	(2,077,362,476)
Prior year adjustments	(36,360,311)	0
Net Profit / (Loss) as at 30th June	(48,623,831)	(20,165,380)
Total	(2,182,511,997)	(2,097,527,856)

Retained earnings is adjusted by Kshs. 147,577,405.22 being Accounts Receivables understated in the previous systems whereby after integration through ERP it was corrected, and 183,937,715.94 being reconciled Bulk water bills.

23. Amount due from shareholders

Description	2022-2023	2021-2022
	Kshs	Kshs.
Amount due from shareholders	5,000,240.00	5,000,240.00

24. Work in progress

Description	2022-2023	2021-2022
	Kshs	Kshs.
Rehabilitation & Extension of Mombasa Water Supply Distribution	380,290,064	423,981,471
Rehabilitation of Kipevu Wastewater Treatment Plant (WWTP and Pumping Stations):	108,522,516	
Rehabilitation & Extension of Sewer Networks in Mombasa West Mainland and Island	171,704,502	
Total	660,517,082	423,981,471

The work in progress relates to the on-going civil works under the WSDP project.

25. Non-Current Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs.
WSDP Loan	736,762,591	538,593,751
Service Gratuity Payable	14,478,440	10,151,725
Total	751,241,032	548,745,476

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and other payables

Description	2022-2023	2021-2022
	Kshs	Kshs.
Trade Payables	1,727,643,927	1,359,931,219
Grant-WSDP	56,890,755	129,701,463
Grant-WSTF	504,692	0
Other Payables (Payroll Payables)	114,419,880	104,011,633
MCM - Bin/Refuse	2,523,393	2,523,393
TOTAL	1,901,982,646	1,596,167,708

27. Provisions

Description	2022-2023	2021-2022
	Kshs	Kshs.
General provision	195,205,140	200,921,863
Audit Fees (provision)	4,250,988	3,575,988
	199,456,128	204,497,851

28. Customer Deposit

Description	2022-2023	2021-2022
	Kshs	Kshs.
Customer Deposits	104,453,759	104,011,633
	104,453,759	104,011,633

*The Trade and other payables, Provisions and Customer deposit tables have been realigned to reporting template hence changes in the opening balances.

Other Disclosures

29. Related Party Disclosures

County Government of Mombasa

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

Other related parties include:

- The County Department in charge of Water
- Coast Water Works Development Agency (CWWDA).

Mombasa Water Supply & Sanitation Co. Ltd

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- Water Services Regulatory Board(WASREB)
- Water Sector Trust Fund(WSTF)

Transactions with related parties

- Mombasa Water Company is licensed by Water Services Regulatory Authority to distribute water and offer sanitation services to the residents of Mombasa County in line with the Service Provision Agreement (SPA). The overall Water Sector regulator is Water Services Regulatory Board (WASREB) that charged the company a total of Kshs. 30,198,336 in regulatory levies.
- During the year, the company procured 11,310,974.90m³ of bulk water from CWWDA at a total of Kshs. 226,219,498.00.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Presentation Anomaly in the Financial Statement</p>	<p>The financial statements for the year under review do not have the statement of performance against predetermined objectives and environment and sustainability reporting. Further, the statement of financial position shows that WSDP loan of Kshs.538,593,751 and service gratuity of Kshs.10,151,725 are disclosed in note 10 to the financial statements instead of Note 23. In addition, the trade and other payables note is shown as note 11, which is for Board expenses. In the circumstances, the financial statements do not fully comply with the financial reporting template issued by the Public Sector Accounting Standards Board for the year ended 30 June, 2022.</p>	<p>We have noted and corrected the oversight</p>	<p>Resolved</p>	<p>Immediately</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Failure to Disclose Material Uncertainty Related to Going Concern	<p>The statement of profit or loss and other comprehensive income reflects a loss before tax of Kshs.21,157,580 (2021: a loss of Kshs.78,891,997) which brought the Company's accumulated loss to Kshs.2,098,520,055 as at 30 June, 2022 (2021: Kshs.2,077,362,476). Further, the current liabilities of Kshs.1,900,198,807 exceeded the current assets of Kshs.298,472,042, resulting in a negative working capital of Kshs.1,601,726,765 as at 30 June, 2022. The negative liquidity position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern.</p> <p>The financial statements, however, have been prepared on a going concern basis on the assumption that the Company will continue to</p>	<p>Management has implemented the following strategies aimed at improving the fortunes of the company</p> <ol style="list-style-type: none"> 1) Continued partnering with Development partners for infrastructure development and capacity building to improve efficiency and increase water supply. 2) Embarked on metering commercial building using boreholes for water and connected to our sewer network for effluent discharge. 3) Rolled out Leak and bursts repair program including training of our Technical staff on use of innovative tools like leak detection tools to better manage the bursts and leakages in our network 4) Engaged CWWDA and fellow WSPs on equitable water sharing formula including revival of non-functional water boreholes 5) Prudently manage our costs through undertaking 	<p>Not resolved</p> <p>Ongoing</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>receive financial support from the County Government of Mombasa and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's directors and management to reverse the undesirable precarious financial position have not been disclosed in the notes to the financial statements.</p> <p>In the circumstances, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due and it may continue to depend on support from the County Government and creditors.</p>	<p>value for money procurement, use of alternative and effective service providers, enter price-negotiated framework agreements and implementation of general austerity measures</p> <p>6) The regulator, WASREB is in the process of reviewing of our tariffs aimed at progressively realizing a full cost recovery tariff.</p>	Resolved	Immediately
Unsupported Cash and Cash	<p>The statement of financial position reflects cash and cash equivalents balance of Kshs.144,440,704 as</p>	<p>Management has requested for Certificate of Balance from Posta. We have also included Cash Book,</p>	Resolved	Immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Equivalents	<p>disclosed in Note 7 to the financial statements. Included in the balance is an amount of Kshs.138,860,947 held in various bank accounts, out of which Kshs.139,314,950 was supported with bank reconciliations, cashbooks and bank confirmation certificates, leaving unsupported balance of Kshs.200,494.96.</p> <p>Further, an amount of Kshs.4,273,251 held in Posta pay was not supported by a certificate of bank balance, bank statements and cash book. In addition, included in the cash and cash equivalents balance is an amount of Kshs.1,132,346 held in Airtel Money account which was not supported by confirmation certificate.</p> <p>In the circumstances, the accuracy and completeness and of the cash</p>	<p>Certificate of Balance from Airtel Limited and Bank reconciliation statement for the Airtel money Account.</p>	Resolved	resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and cash equivalents balance of Kshs.144,440,704 could not be confirmed			
Unconfirmed Share Capital	As previously reported, the Company was incorporated on 18 March, 2011 to take over services of the defunct Mombasa Water Supply & Sanitation Co. Ltd Company Limited which had an authorized share capital of Kshs.5,000,000. However, the old Company was not liquidated and no shares had been transferred to the new Company as at 30 June, 2021. Further, out of the new Company's authorized share capital of 5,000 ordinary shares of Kshs.1,000 each, only twelve (12) shares valued at Kshs.12,000 were allotted but not paid for, leaving a balance of 4,988 shares un-allotted.	The current Board has picked up the matter with earnest and made directions on the process of share transfer to be expedited. We are awaiting the resolution from the County Government to take up the shares. See the attached follow up letter to the County Government of Mombasa on the transfer of shares.	Resolved	Immediately
	Further, note 2 to the financial statements reflects issued but not			

Reference No.	on the	Issue/Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	external audit			Resolved	
	Report			Resolved	
Water and Sanitation Development Project (WSDP) Loan		<p>paid 5,012 ordinary shares of par value of Kshs.1000 each and twelve (12) ordinary shares of par value of Kshs.20 each, which is more than the authorized ordinary shares of 5000. In addition, the issued but not paid for share capital of Kshs.5,000,240 is also reflected in the statement of financial position under assets as amount due/ receivables from shareholders, resulting in a non-existent asset.</p> <p>In the circumstances, the accuracy and completeness of the share capital balance of Kshs.5,000,240 as at 30 June, 2022 could not be confirmed.</p> <p>The statement of financial position reflects Water and Sanitation Development Project (WSDP) loan balance of Kshs.538,593,751 as disclosed in Note 10 to the financial</p>	<p>The WSDP funding segregated into Grant and Loan of \$ 11,790,000 and \$17,710,000 totaling to approved budget of \$ 29,500,000 equivalent to Kshs. 2,975,370,000 at exchange rate of Kshs.100.86 to the</p>	Resolved	immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>statements. However, the amount is at variance with the schedule balance of Kshs. 942,406,829 by Kshs.403,813,078, and which has not been explained nor reconciled.</p> <p>In the circumstances, the accuracy and completeness of the WSDP loan balance of Kshs.538,593,751 as at 30 June, 2022 could not be confirmed.</p>	<p>USD at date of signing the Financing Agreement. Each disbursement includes an amount for both loan and grant. The allocation of the disbursements to loan and grant is as per the above ratio and as guided by the National treasury and the Ministry of water. See the attached allocation schedule.</p>	Resolved	Immediately
Service gratuity	<p>The statement of financial position reflects service gratuity balance of Kshs.10,700,570 as disclosed in Note 10 to the financial statements. However, no schedule was provided in support of the balance.</p> <p>In the circumstances, the accuracy and completeness of the service gratuity balance of</p>	<p>The supporting schedule is herewith attached.</p>	Resolved	Immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.10,700,570 as at 30 June, 2022 could not be confirmed.			
Trade and other Payables - Long Outstanding Payables	<p>The statement of financial position and Note 11 to the financial statements reflect trade and other payables balance of Kshs.1,900,198,807. Included in this balance is an amount of Kshs.1,359,720,076 relating to trade payables, out of which Kshs.1,320,840,700 or 97% has been outstanding for more than ninety (90) days. Further, Kshs.123,304,711 of the payables related to debts owed to Coast Water Services Board. Although supporting invoices for the balance were provided for audit review, the Agency's records indicated an outstanding debt of</p>	<p>The company has faced cash flow challenges on high cost of operations and a lower water tariff that is below full cost recovery resulting in monthly cash deficit. This has largely explained its inability to meet its obligations as and when due. However, management is in the process of reviewing the tariff and also received a Conditional Liquidity Support Grant (CLSG) from World bank through Water Trust Fund (WSTF) to offset part of the CWWDA debt. This together with other revenue boosting measures highlighted in our Response to Going Concern is optimistic that they will see progressive improvement in revenue generation hence meet its financial obligations as and when due.</p> <p>The company has progressively engaged the</p>	Not resolved	Ongoing

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Ksh.1,615,500,114, resulting in a variance of Kshs.492,195,403 which has not been explained nor reconciled.</p> <p>The audit fees are therefore long overdue, contrary to Section 41 of the Public Audit Act, 2015 which requires funds of the Office of the Auditor-General to consist of audit fees charged at rates prescribed by the Auditor-General. No explanation was provided for the non-payment of the audit fees and for the apparent breach of the Law.</p> <p>In the circumstances, result, the Company is exposed to penalties, fines and unquantified litigation costs due to late payments.</p>	<p>suppliers, SACCOs and Pension Schemes for Payment</p> <p>Plans with a view to fully remitting the outstanding amount with incremental revenues. This is to cushion against possible penalties and fines over unpaid remittances.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Irregular Engagement of Casuals</p>	<p>Included in the operation and maintenance figure of Kshs.78,263,301 and as disclosed in note 15 to the financial statements is operation and maintenance for WSDP project expenditure of Kshs.31,544,535.87, out of which Kshs.3,350,701.49 was spent on casual wages. However, approval of the Mombasa Water Board was not provided for audit review. Furthermore, the casual workers were engaged for more than three months, contrary to the Employment Act, 2007 nor were contracts signed with the casual works provided for audit review.</p>	<p>The WSPD workers who were engaged for periods longer than three months were not on casual terms of engagement. They had signed contracts for the project, of which copies are available at the Project manager's office. They were also paid on a monthly basis and their statutory deductions remitted by the company. See copies of the contracts attached.</p>	<p>Resolved</p>	<p>Immediately</p>
<p>In the circumstances, the validity and completeness of</p>				

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Reference No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
on the external audit Report				
	Kshs.3,350,701.49 spent on casual wages for the year ended 30 June, 2022.			
Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.896,048,027 and Kshs.897,522,870 respectively, resulting to revenue over-collection of Kshs.1,474,843 or 0.16% of the budget. Similarly, the Company spent Kshs.918,680,449 against an approved budget of Kshs.958,683,989, resulting in an under-expenditure of	The revenue over-collection of Kshs.1,474,843 or 0.16% of the budget relates to the Conditional Liquidity Support Grant (CLSG) from World bank through Water Trust Fund (WSTF) to support the operations and offset part of the CWWDA debt. Prudent cost reduction measures implemented and matching costs to revenue realized amounted to savings of 4.17% of operations budget/ under-expenditure of the budget.	Not resolved	Ongoing

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Kshs.40,003,540 or 4.17% of the budget			

