

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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ON

**KYENI WATER AND SEWERAGE COMPANY
LIMITED**

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





KYENI WATER AND SEWERAGE COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2023**

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

KYENI WATER AND SEWERAGE COMPANY LTD

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

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

<i>KYEWASCO</i>	<i>Kyeni water and sewerage company limited</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>GM</i>	<i>General Manager</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WRA</i>	<i>Water resources authority</i>
<i>TWWDA</i>	<i>Tana Water Works Development Agency</i>

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2. KEY ENTITY INFORMATION

Background information

Kyeni Water and Sewerage Company Ltd. (KYEWASCO) was incorporated under the Company's Act 486 on 20TH JUNE 2008. The entity is domiciled in Kenya and has other Offices in Mufu and Runyenjes town.

KYEWASCO covers an area of approximately 192.8km² with a population of about 80,466 persons.

The head office is at Kathanjuri, Kyeni Divisional Headquarters, Runyenjes Sub-County- Embu County.

Principal Activities

The principal activity of KYEWASCO is provision of Water and Sewerage services within the designated area as contained in the Service Provision Agreement (SPA) , of Runyenjes Sub-County , Embu County.

Directors

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

1.	Mr Erasmus Kithinji Muthenya	- Chairman	- 10 th September 2019
2.	Mr Anthony Rutere Nyaga	- Member	- 10 th September 2019
3.	Mrs Feata Marigu Mumiru	- Member-	- 10 th September 2019
4.	Mrs Besatrice Mwari Njiru	-Member	- 10 th September 2019
5.	Mr Robert Mwaniki Njeru	- Member	- 10 th September 2019
6.	Mrs Stella Kagendo Kariuki	-Member	- 10 th September 2019
7.	Mr Willy Namu	-Member	- 10 th September 2019
8.	Mr Eric Munene	- General Manager	- 16th May 2022
9.	Embu County Government	- CECM Water and	
10.	;	- CECM Finance	

Registered Office

KATHANJURI WATER OFFICE
P.O BOX 315 – 60103
Runyenjes - KENYA

Corporate Headquarters

Kathanjuri Division Headquarter
Runyenjes - Karurumo road
P.O Box 315 – 60103,
Runyenjes, KENYA.

Corporate Contacts

Telephone: (254) 715 870 863

KYENI WATER AND SEWERAGE COMPANY LTD

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

E-mail: kyewasco@yahoo.com

Website:

Corporate Bankers

1. Co-operative Bank of Kenya
Embu Branch
P.O. Box 1337-60100
Embu, Kenya

Independent Auditors









Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084-
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

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

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3. THE BOARD OF DIRECTORS






WARD	NAME	
1. KYENI SOUTH	ERASMUS KITHINJI MUTHENYA 	Date appointed 27 th August 2019 DOB. 1977 Key Qualification: B.Sc. (BED - ECDE) Work experience: Teacher (Deputy H. Teacher)
2. KYENI NORTH	ANTHONY RUTERE NYAGA 	Date appointed 27 th August 2019 DOB. 1981 Key Qualification: Diploma Work experience: Businessman
3. KYENI SOUTH	FEATA MARIGU MUMERU 	Date appointed 27 th August 2019 DOB. 1969 Key Qualification: "O" Level Work experience: Farmer
4. KYENI NORTH	ROBERT MWANIKI NJERU 	Date appointed 27 th August 2019 DOB. 1959 Key Qualification: "O" Level Work experience: Farmer
5. KYENI SOUTH	STELLA KAGENDO KARIUKI 	Date appointed 27 th August 2019 DOB. 1974 Key Qualification: BSc (social work) Work experience: Social worker
6. KAGAARI SOUTH	WILLY NAMU 	Date appointed 27 th August 2019 DOB. 1975 Key Qualification: "O" Level Work experience: Farmer
7. KYENI NORTH	BEATRICE MWARI NJIRU 	Date appointed 27 th August 2019 DOB. 1958 Key Qualification: "O" Level Work experience: Farmer
8. GENERAL MANAGER	ERIC MUNENE MUGO 	Date appointed 16 th May 2022 DOB. 1989 Key Qualification: Degree Bsc. Civil Engineering. Work experience: 10 Years

KYENI WATER AND SEWERAGE COMPANY LTD

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

9. EMBU COUNTY GOVERNMENT REP	1. CECM Water 2. CECM Finance	
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4. MANAGEMENT TEAM

1. Eric Munene 	<u>General Manager</u> key Profession/Academic Qualifications: Degree Bsc. Civil Engineering.
2. Julieta Karimi 	<u>Technical department</u> key Profession/Academic Qualifications: Dip (Water Technology)
3. Jacinta Ndegwa 	<u>Finance department</u> key Profession/Academic Qualifications: Dip in Accounts
4. Daniel Murimi 	<u>Human resource department</u> Key Profession/Academic Qualifications: (Dip Human Resource Management).
5. Bancy Nyakio 	<u>Finance department</u> key Profession/Academic Qualifications: CPA K, B.Sc Finance.

5. CHAIRMAN'S STATEMENT

It gives me great pleasure to present the 2022-2023 annual report and financial statements for Kyeni Water and Sewerage Company Ltd. During the year under review, we continued to make great strides in water service provision in the area of jurisdiction as per the Service Provision Agreement.

Financial performance.

The financial year 2022-2023 under review was a challenging one for the company. The gross water income was kshs 14 million compared to kshs 14 million in 2021-2022.

During the year the company as not engaged any new member of staff or a board member. We are optimistic that the coming year 2023-2024 the company will perform even better.

Challenges

However the company had several challenges. Through the office of the former Governer the company was issued with a directive to bill on a flat rate of kshs 200 for all customers, leading to unsustainability of the company.

Way forward

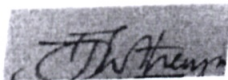
The management has been undertaking public sensitisation on the issue of billing which could affect service delivery.

Appreciation.

We continue to enjoy the support and good will inter alia of our clients, the County Government, suppliers, other services providers, regulatory authority and the Board. I wish to record our appreciation to them all and note that we highly value these relationships. I also wish to thank and congratulate the management of the Company for the loyalty, dedication and tireless efforts that have made the year possible.

Finally, to my fellow Board members, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.

Erasmus Kithinji Muthenya
CHAIRMAN (B.O.D)



26th September 2023

SIGN DATE 05/02/2024

KYENI WATER AND SEWERAGE COMPANY LTD

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6. REPORT OF THE MANAGING DIRECTOR

It is my pleasure to report on another successful year. In 2022-2023 Kyeni Water and Sewerage Company Ltd has again registered a water sales income of kshs 14 million equal to kshs 14 million in 2021-2022.

Customer service

Our business motto is “to exceed our customers’ expectations”. This has seen our delivery of service improved, to no longer give our clients empty promises, but deliver them. We keep our promise at the hour of reckoning, when a customer makes a complain. We endeavour to keep abreast with the ever-changing times. We work closely with our clients. To support them and our staff, we hold regular meetings to share our thoughts and make them understand our services.

Branch Network

Our branch network continues to grow in line with our business model and we aim to align ourselves with the County Government guidelines and ensure full representation. Branches are opened after a thorough feasibility study is conducted. Our growing network currently consists of two branches. These branches are managed by dynamic persons who are always available to provide solutions to the needs of our clients. The branch offices are based at Runyenjes (rented) market and Mufu office at the chiefs ground.

Customer Base

Our Customer base is of 10,994 connections spread over an area of 192.8 km² with a population of 80,466 persons. A population of 56,606 is currently adequately served by the existing reticulation system stretching for a distance of 350 km of assorted Pipe sizes ranging from 25mm diameter to 250 mm diameter.

Information Technology

We can only accord superior services when our processes are efficient and effect. The need for a robust and pragmatic information technology platform was identified after a thorough review of the processes. The company has commenced implementation of a new integrated billing software that is web based, hence transforming the way we do business. Once implemented, the system will offer us with a competitive advantage and above all ensure that we are able to offer a superior customer service.

Staffing

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately forty years. They are enthusiastic to make certain that we are always in the front. These employees are always

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

ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved.

Conclusion

Kyeni water has continued to be the front runner in the Sub-County and this is due to the commitment and diligence by the Board and Management Staff who have worked tirelessly to satisfy our clients, and all stakeholders. I register my appreciation to the support which has made 2022 - 2023 Financial year a momentous year for all of us.

We hope that in 2023 - 2024 Financial year we will offer even better services.



Eng. Eric Munene Mugo

26th September 2023

General Manager.

Sign

Date 05/02/2024

KYENI WATER AND SEWERAGE COMPANY LTD

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7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2022/2023

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

KYEWASCO has 5 strategic pillars and objectives within its Strategic Plan for the FY 2021/2022-2024/2025. These strategic pillars are as follows:

Pillar 1: Water and sewerage infrastructure development

- Increase water supply coverage from 31% to 60% by the year 2025.

Pillar 2: Operation efficiency and customer service

- Optimize operational efficiencies and reduce costs.

Pillar 3: Financial sustainability

Improve O& m cost coverage from 116% to 150%

Pillar 4: Institutional capacity

- Strengthen capacity ,efficiency and satisfaction

Pillar 5: Corporate governance

- Clear and responsible corporate gervanance policies, procedures and practices.

KYEWASCO develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Company* achieved its performance targets set for the FY 2022/2023 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Water and sewerage infrastructure development	Increase water supply coverage from 31% to 60% by the year 2025	Total production of 10,000m3 per day	Rehabilitate distribution network	In progress

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Pillar 2: Operational efficiency and customer service	Optimize operational efficiencies and reduce costs	100% metering	Reduce operation cost in material /resources	none
Pillar 3: Financial sustainability	Improve O&M cost coverage from 116% to 150%	Increase in annual revenue	Reactivation of 20%+ (plus) dormant connections	In progress. Our field staff have a duty to at least activate one account every month
Pillar 4: Institutional capacity/strengthening	Strengthen capacity, efficiency and satisfaction	Conduct team building	Training and induction	none
Pillar 5: Corporate governance	Clear and responsible corporate governance policies, procedures and practices.	Board manual	Develop board manual	none

8. CORPORATE GOVERNANCE STATEMENT

Good corporate governance is key to the integrity of water sector institutions and markets and is central to the health of our economics and their stability. Corporate governance plays a leading role in making it certain how corporations and their Boards and Management are directed, controlled and held to account. Corporate governance therefore, encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

THE BOARD OF KYEWASCO LIMITED follows, principles of openness, integrity and accountability in its stewardship of the Company's affairs. It recognizes the developing nature of corporate governance and assesses the Company's' compliance with generally accepted corporate governance practices on a regular basis, directly and through its Board Committees and Management. The role of the Board is to ensure compliance by focusing on and providing the Company's' overall strategic direction and policy –making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The Board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the Company's' assets and ensure the reliability of financial information.

A management team, comprising the General Manager and senior staff meets regularly to consider issues of operational and strategic importance to the Company. Here below are the key features of the existing corporate governance practices within KYENI WATER AND SEWERAGE COMPANY LIMITED which are reviewed and improved on a regular basis: -

1. Board of Directors

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2023

The Board of Directors consists of seven non-executive directors representing various stakeholders' groups and two others seconded by the County Government. The Chairman of the Board is a non-executive director and the Board meets formally at least four times a year. During the year 2022-2023 the Board conducted seven (7) meeting: - three full board and four committee meetings.

The Board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The directors are actively involved and bring strong independent judgment on Board deliberations and discussions. The Directors have a wide range of knowledge and experience of social economic activities which are applied to the formulation of strategic objectives and decision making.

The Board meets regularly and retains full and effective control over the Company in all strategic, financial, operational and compliance areas. To assist the Board in the discharge of its responsibilities, Board committees have been established. All the board committees meet at least four times a year. The committees are as follows: -

a) Audit Committee

The audit committee comprises of three non-executive directors and a Senior Manager. The committee is responsible for inter alia, developing and advising an audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management.

b) Finance, HR, And Technical Committee

The finance, HR and technical committee comprises of three non-executive directors and the general manager. The committee provides guidance to the board on finance and technical requirements for the company.

2.Succession plan

The company board of directors will exit the same time. however the county representative is appointed from time to time. Also, in the model memorandum and articles of association by WASREB the succession plan of directors is clearly articulated.

3.Internal Controls

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the Company's' assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through operational meetings and the annual external audit.

4.Directors Remuneration.

The remuneration for Directors consists of sitting allowances for their services in connection with the Board and committee meetings.

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5.Appointment and Removal of Directors

The aggregate amount of Director's remuneration for services rendered during the year ending 30th June 2023 are contained under note 13 of these annual report and financial statements. The Company is fully governed by the WASREB corporate guide lines which stipulates the way of appointed and removal of directors, induction and training of the board.

6.Going Concern

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

9. MANAGEMENT DISCUSSION AND ANALYSIS

The company management is composed of a lean team of five members chosen from time to time. The General Manager takes the responsibility of overseeing smooth operation of activities through effective and timely communication, coordination, control and offering leadership. The other officers in the management team heads and are responsible for various sections/department in the company.

a)Operational and Financial performance

year	revenue	expenditure
2018 2019	11,938,600	16,594,258
2019 2020	10,938,600	15,838,535
2020 2021	13,417,150	15,821,326
2021-2022	14,388,887	16,324,511
2022-2023	14,534,200	18,699,824

b)Major Risks Facing the Organization

During the period under review, KYEWASCO has operated under difficult conditions mainly due to the following factors

- a) Disruption of mains due to ongoing/completed road constructions and rehabilitations
- b) Billing Issues
- c) Covid – 19 pandemics
- d) Intake renovations (abandoned)

a) Disruption of Mains Due to Ongoing Road Constructions

Since last year, road maintenance and construction activities have been on the rise being supported by both national and County Governments. During implementation of these activities our lines (Main and sub-branches) were sometimes destroyed making the company incur extra costs in replacing them. On the other hand, when repairs are not undertaken immediately, there was loss of revenue due to supply disruption.

b) Billing Issues

Billing issues started in November 2016 when a section of consumers from Kyeni North location started complaining about high billing through metering among other issues. The complaints were in comparison to other community-based Water providers adjacent to our area of operation; their water is not metered and their monthly charge is on average of Kshs 200/=. The matter culminated with a public baraza at Mufu market on 27th December 2017 and subsequent public meetings addressed by

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2023

Kyeni North MCA. The Governor, His Excellency Martin Nyaga Wambora issued a directive that the consumers should pay a flat rate of Ksh 200/= and their account arrears to be lifted. This created confusion significantly affecting the company's revenue collection.

c) Covid -19 pandemics

Since March 2020 the Ministry of Health and Ministry of Water, Sanitation and Irrigation issued advisories to all Water service providers not to disconnect services in case of unpaid bills. This has made the Company unable to collect substantial revenue to sustain the operations.

D) Intake renovations (abandoned)

The renovations started back in the year 2021 -2022 by the county government but stopped after some works. Currently the company does not have water at all from the said intake. Our customers are in dire need especially those from areas served by the intake.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KYEWASCO provides Water and Sewerage services within the designated area as contained in the Service Provision Agreement (SPA) , of Runyenjes Sub-County , Embu County

1. Sustainability strategy and profile -

KYEWASCO exists to transform lives. This is our purpose ,the driving force behind everything we do. Its what guides us to deliver our strategy, putting the customer/citizez first, delivering relevant goods and services and improving operational excellence..

2. Environmental performance

The company acknowledges the critical role of climatic environment(weather and weather patterns) as a foundation for our existence as a corporate.

3. Employee welfare

Staff efficiency is key in KYEWASCO. Our staff are trained on areas of operation and taken for workshops to enhance their skills.

4. Market place practices-

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

a) **Responsible competition practice.**

We are a commercial company and accordingly seek to be competitive than our competitors, we consciously don't engage in deriding the competition. We capitalise on any collaboration opportunities in the market even when they involve water companies.

b) **Responsible Supply chain and supplier relations**

The company acknowledge the importance of managing suppliers through prompt payment.we scale our purchases to match the funds available, however in case funds are available we notify the supplier.

c) **Responsible marketing and advertisement-**

The company ensures fair and morally upright language is used while marketing its products.

d) **Product stewardship**

The company ensures safe production and distribution of its products.

5. Community Engagements-

The company continues to attach students in various departments from within and outside the community.

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2023

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the KYEWASCO affairs.

Principal activities

The principal activities of the company are the provision of water and sanitation services within the service provision agreement (SPA) area.

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1.

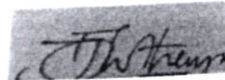
Directors

The members of the Board of Directors who served during the year are shown on page vi and vii.

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



Erasmus Kithinji
Chairman
22nd sept 2023

Sign

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164(2)(f) of the Public Finance Management Act, 2012 requires the Directors to prepare financial statements in respect of the *company*, which give a true and fair view of the state of affairs of the *company* at the end of the financial year and the operating results of the *company* for that year. The Directors are also required to ensure that the *company* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *company*. The Directors are also responsible for safeguarding the assets of the *company*.

The Directors are responsible for the preparation and presentation of the *company's* 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

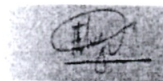
The Directors responsibility for the *company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by section 164 of the PFM Act, 2012 . 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 *Company* financial statements were approved by the Board on 26/09 2023 and signed on its behalf by: Erasmus Kithinji Muthenya

Eng. Eric Munene



.....
Chairperson of the Board.

.....
General Manager

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KYENI WATER AND SEWERAGE 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kyeni Water and Sewerage Company Limited for the year ended 30 June, 2023 set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2023 and 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kyeni Water and Sewerage Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Adverse Opinion

1.0 Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss before tax balance of Kshs.4,019,448 (2021/2022: a loss of Kshs.2,609,963) resulting to the Company's accumulated loss to Kshs.9,557,615 as at 30 June, 2023 (2022: Kshs.5,538,167). The negative liquidity position indicates the existence of a material uncertainty on the Company's ability to continue as a going concern. The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Embu and its creditors. Management did not disclose the uncertainty related to going concern or measures taken to mitigate this.

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

2.0 Inaccuracies in the Financial Statements

2.1 Statement of Financial Position

2.1.1 Misstated Current Liabilities Balance

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.1,938,124 in respect of fee expenses owed. However, review of records indicates that the amount is still owing to the various Regulatory Authority and is accrued to the next period. The amount has however, not been disclosed as current liabilities in the statement of financial position.

2.1.2 Misstated Current Liabilities Balance

The statement of financial position reflects total non-current assets balance of Kshs.11,712,539. However, the recomputed balance gives an amount of Kshs.11,367,707 resulting to un-explained balance of Kshs.344,832.

2.1.3 Inaccurate Trade Receivables

The statement of financial position reflects gross trade receivables balance of Kshs.23,396,796 and not the net trade receivables balance of Kshs.21,057,116 net of provision for bad and doubtful debts totaling to Kshs.2,339,680. The provision for bad debts is 10% of gross trade receivables. The criteria for provision for bad debts of 10% is however, not supported by the Company policy. The receivables have not been classified as prescribed by the reporting template.

Further, Note 15 (b) to the financial statements reflects comparative balance of gross trade receivables of Kshs.16,414,636 which differs with the previous year audited balance of Kshs.14,773,172 resulting to unreconciled variance of Kshs.1,641,464. No restatement of balances have been disclosed in the financial statements.

2.1.4 Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.11,367,707 which includes motor vehicles, motor cycles, and computers and related equipment balances as disclosed in Note 14 to the financial statements. However, physical verification carried out in the month of February, 2024 however, revealed the following anomalies:

(i) Lack of Ownership Documents for Land

The Company had two parcels of land with a total measurement of eight (8) acres in the outskirts of Runyenjes Town. The land was not valued and the two parcels have not been fenced. Further, the ownership documents were explained to be in the custody of Tana Water Services Board and thus they were not provided for audit review. The value of the land was not included under the property, plant and equipment. The inspection of the Company's Mubu office revealed existence of three (3) suzuki motor cycles that are in store and not in use.

(ii) Assets Value Omitted from the Financial Statements

The site visit carried out across four wards of Runyenjes Central, Kagarii South, Kyeni North and South revealed existence of piping network across the four (4) wards was approximately 100 kilometers in total length. The piping network was however, not included in the property, plant and equipment balance of Kshs.11,367,707.

Further, the Headquarters situated at Kathanjuuri Town Centre had one permanent two-roomed main office block, four (4) semi-permanent offices, one material shed and stockpile of water pipes. The assets were however not included in the property, plant and equipment balance.

(iii) Unconfirmed Ownership of Water Tanks Land

The Company constructed twenty (20) water tanks along the roads, in primary and secondary schools and on privately owned properties. The contract for the projects were however not provided for audit review and the ownership of the parcels of land where the twenty (20) water tanks were constructed could not be confirmed.

2.2 Inaccurate Statements of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.7,688,971. The cash generated from operating activities amounted to Kshs.2,243,639 and not the balance of Kshs.2,571,213 reflected in the statement resulting to a variance of Kshs.327,574. Further, the statement reflects increase in trade payables of Kshs.9,371,373 instead of Kshs.11,636,123 and increase in customer deposit of Kshs.182,000 instead of Kshs.125,393 being the recomputed amount.

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

3.0 Unsupported Contract

The County Government of Embu awarded tender for the rehabilitation of Thuci Water intake system to a contractor at a contract sum of Kshs.24,858,580 in the year 2019. The feasibility study documents, contract drawings, bid documents, contract documents, project file, project progress and status report, payments made and outstanding balances to date were however not provided for audit review. The contract is therefore not supported.

In the circumstances, the accuracy and propriety of the amount committed to the project could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual amounts on comparable basis of Kshs.22,150,198 and Kshs.16,321,840 respectively, resulting to revenue shortfall of Kshs.5,828,358 or 56% of the approved budget. Similarly, the Company spent Kshs.20,341,288 against a budget of Kshs.22,150,198 resulting to under expenditure of Kshs.1,808,910 or 8% of the approved budget.

The under-collection affected implementation of planned activities and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the report of the previous year, several issues were raised under report on the financial statements, report on lawfulness and effectiveness in use of public resources and report on internal controls, risk management and governance. However, review of the progress on follow-up of auditor's recommendations revealed that Management had not resolved all the issues as at 30 June, 2023. No explanations were provided for failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregularities in Operations

The County Government of Embu undertook rehabilitation works at Thuci River Intake to supply free water to the customers who were previously served by the Kyeni Water Company and were paying for water services. The decision prompted the consumers to vandalize the then existing and operating water intake pipes and disconnect the water meters. Water consumers then reverted to paying flat rate of Kshs.200 per month for any amount of water consumed.

Further, the vandalization of the project, resulted to reduced water supply of approximately 100,000m³ per day to customers and the Company has continued to lose revenue for a period of five years. No explanation was provided for this anomaly and no one has been held responsible for the lost revenue.

In addition, the project was incomplete and the water system had not been restored and the contractor was not on site although the contract had not been terminated four years after the award.

In the circumstances, value for money has not been obtained from various investment by the Company.

2. Personnel Costs above Industrial Sector Bench Mark

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.11,632,531. The amount is 62% of the total expenses of Kshs.18,699,824. This is contrary to Paragraph 3.5 of WASREB Impact Assessment Report No.13/2021 on performance analysis and ranking under economic efficiency. The policy states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of total expenses.

Further, Management did not have a career progression guideline. Review of a sample of employees' personal files revealed that employees remained in one job group for many years without progression. There was no career progression guidelines to refer to contrary to the Company Human Resource Policy and Procedures Manual.

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

3. Irregular Internal Borrowing from Customer Deposit Account

The statement of financial position reflects borrowings balance of Kshs.2,264,750 as disclosed in Note 20 to the financial statements. The amount relate to borrowing from customer deposits savings account at Cooperative Bank in April, 2016. However, no repayment plan was provided for audit review. Further, Management contravened the requirement that customers deposit amount should only be utilized for refund to customers who opt out of the contract with the Company. This is also contrary to Regulation 106 of the Public Finance Management (County Governments) Regulations, 2015 which states that unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for five (5) years may, with the approval of the County Executive Committee Member, be paid into County Revenue Fund and thereafter the County Executive Committee Member may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic.

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

4. Non-Adherence to a Third Gender Rule

Review of personnel records revealed that the Company had twenty-four (24) employees out of which nineteen (19) or 79% were male and the remaining five (5) or 21% were female. This is contrary to Article 27(8) of the Constitution of Kenya, 2010 which states that in addition to the measures contemplated in clause (6), the state shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In the circumstances, Management was in breach of law.

5. Excess Non-Revenue Water

During the year under review, the company produced 675,720 cubic meters (m³) of water, out of which, 355,118 cubic meters (m³) was billed to customers. The balance of 320,602

cubic meters or approximately 47% of the total volume produced represented Non-Revenue Water (Unaccounted for Water). This translates to approximately Kshs.12,888,818 revenue loss was 22% above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

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

6. Irregular Billings

a) Unmetered/Flat Rate Water Billing

Audit verification carried out in January, 2024 revealed that out of the billed water of 355,118 cubic meters, the company billed 1,100 customers for un-metered water supplied and charged at a flat rate of Kshs.250 per month. An amount of Kshs.3,300,000 was billed during the year under this billing system. No explanation was provided for failing to meter the water supplied. Further, the basis of the flat rate charged was not disclosed and there was no authority from WASREB to charge the flat rate. This may have led to under/over billing.

The billing procedure was therefore irregular.

b) Inactive and Unmetered Connections

The Company's total number of registered connections as at 30 June, 2023 were 10,994. However, only 4,154 meters were billed per month leaving 6,840 unbilled which translates to 38% billing per month. Failure to bill 62% active meters led to possible loss of revenue of approximately Kshs.23,932,096 for the Company.

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

7. Use of Expired Tariff in Billing

The statement of profit or loss and other comprehensive income reflects gross revenue amount of Kshs.14,534,200, charged using outdated tariff structure that had expired on 03 July, 2018. However, there was no evidence of tariff adjustment proposals submitted to the Water Services Regulatory Board (WASREB) or a request for extension of the tariff currently in use. Therefore, the tariff used was not authorized, contrary to the provisions of Section 72(1)(b) of Water Act, 2016 which states that Water Services Regulatory Board (WASREB) shall evaluate and recommend water and sewerage tariffs to the county water services providers.

In the circumstances, the tariff used to charge customers was irregular.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Approved Staff Establishment

The Company does not have an approved staff establishment contrary to the State Corporation Advisory Committee Circular No. OP/SCAC.9/21/1/1 dated 15 May, 2017. The Circular requires all state Corporations to submit Human Resource Policy Instruments including organizational structure, staff grading and establishment, career guidelines human resource policy and procedures manual to the State Corporation Advisory Committee (SCAC).

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

2. Lack of Risk Management Policy and Framework

The Company had not established a Risk Management Policy and Framework for assessing, identifying and mitigating operation and other common risks in order to develop risk management strategies that support robust business operations.

In the circumstances, the existence of an effective risk management system could not be ascertained and the Company risks exposures.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company 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

02 May, 2024

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

	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	14,534,200	12,435,950
Grants Income	7	773,080	1,097,680
Other gains/income(losses)	8	1,014,560	180,918
Total Revenue		16,321,840	13,714,548
Expenses			
Staff Costs	9	11,632,531	10,346,040.5
General and Operations expenses	10	5,318,710	2,412,827
Board Expenses	11	325,596	670,434.4
Maintenance Expenses	12(a)	351,620	772,348
Fee Expenses	12(b)	1,938,124	1,728,299
Depreciation and Amortization expenses	13	774,707	394,562
Total Expenses		20,341,288	16,324,510
Profit/(Loss) Before Taxation		(4,019,448)	(2,609,963)
Total Comprehensive Income for The Year		(4,019,448)	(2,609,963)

Kyeni Water and Sewerage Company Ltd
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15.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	11,367,707	4,295,385
Total Non-Current Assets		11,367,707	4,295,385
Current Assets			
Trade and other receivables	15	23,396,796	16,414,636
Bank and cash balances	16	7,688,971	7,037,379
Total current Assets		31,085,767	23,452,015
Total Assets		42,453,474	27,747,400
EQUITY AND LIABILITIES			
Capital and Reserves			
Revaluation reserve	26(iv)	19,436,994	19,436,994
Retained earnings	19	(9,557,615)	(5,538,167)
Capital and Reserves		9,879,379	13,898,827
Non-Current Liabilities			
Borrowings	20	2,264,750	2,264,750
Total Non-Current Liabilities		2,264,750	2,264,750
Current Liabilities			
Trade and other payables	22	20,818,950	9,182,827
Customer deposits	23	9,490,395	9,365,002
Total Current Liabilities		30,309,345	18,547,829
TOTAL EQUITY AND LIABILITIES		42,453,474	34,711,406

The Financial Statements set out on pages 1-2 were signed on behalf of the Board of Directors by:

General Manager

Head of Finance

Chairman of the Board

Name: Eric Munene

Name: _____

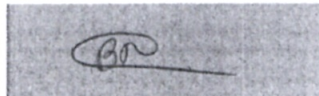
Name: Erasmus Kithinji

ICPAK Member No: _____

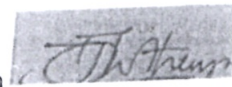


Sign _____

Sign _____



Sign _____



Date _____ 05/02/2024

Date _____ 05/02/2024

Date _____ 05/02/2024

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

At July 1, 2021	19,436,994	(2,928,204)	16,508,790
Total comprehensive income	-	(2,609,963)	(2,609,963)
At June 30, 2022	19,436,994	(5,538,167)	13,898,827
At July 1, 2022	19,436,994	(5,538,167)	13,898,827
Total comprehensive income	-	(4,019,448)	(4,019,448)
At June 30, 2022	19,436,994	(9,557,615)	9,879,379

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

CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus/(deficit)before taxation		(4,019,448)	(2,609,963)
Depreciation and armotisation	14	774,707	394,562
Provision for bad and doubtful debts		2,339,680	0
Other gains and losses	8	(1,014,560)	
Operating profit/(loss) before working capital		(1,919,621)	(2,215,401)
Changes in working capital			
(Increase)/decrease in trade receivables	15	(6,982,160)	1,628,269
Increase/(decrease) in trade payables		9,371,373	1,395,737
(Increase)/decrease in customer deposits		182,000	(384,000)
Cash generated from operating activities		2,243,639	2,640,006
Net cash generated from/(used in) operating activities		651,592	424,605
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		651,592	32,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,037,379	7,004,648
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42(b)	7,688,971	7,037,379

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

	2022-2023		2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	
Sale of goods	22,150,198	22,150,198	14,534,200	(12,933,427)	-49%
Sale of services	0	0	0	0	
Transfers from the Government	0	0	773,080	773,080	100%

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Gain on revaluation			1,014,560	1,014,560	100%
Total income	22,150,198	22,150,198	16,321,840	-5,828,358	
Expenses					
Compensation of employees	11,354,923	11,354,923	10,859,451	495,472	4.56%
General & operating expenses	2,140,690	2,140,690	4,935,116	(2,794,426)	-59.75%
Finance cost	313,920	313,920	311,594	(2,326)	-0.74%
Rent paid	72,000	72,000	72,000	-	-
Taxation paid	0	0	0	0	
Other payments	8,268,665	8,268,665	3,390,047	(4,878,618)	-59%
Grants and subsidies paid	0	0	773,080	773,080	100%
Total expenditure	22,150,198	22,150,198	20,341,288	(1,808,910)	-33%
Surplus for the period	0	0	(4,019,448)	(4,019,448)	

The company did not collect as anticipated during the preparation of the budget.

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KYEWASCO is established by and derives its authority and accountability from Companies Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The company's principal activity is water service provision.

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 entity's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, *water act 2016* and *the companies act* and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of	The amendments, applicable to annual periods beginning on or after 1st January	The amendments are effective for annual periods beginning

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

Notes to the financial statements (continued)

iii. Early adoption of standards

The company did adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

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

a) Revenue recognition

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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 water** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Other income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, 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 financial performance both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

Notes to the financial statements (continued)

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.

d) Depreciation and impairment of property, plant and equipment

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

Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%

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

e) Inventories

Cost is calculated using the FIFO 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.

f) Trade and other receivables

Trade and other receivables are recognized at fair value 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.

g) 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

Notes to the financial statements (continued)

in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

h) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including

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premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

i) Trade and other payables

Trade and other payables are non-interest bearing and are carried at 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.

j) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1080/or 6% per employee per month.

k) Provision for staff leave pay

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

l) Comparative figures

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

Notes to the financial statements (continued)

m) 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 for disposal:

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the financial statements (continued)

6. Operating Revenue

Water sales		14,534,200	12,435,950
Total		14,534,200	12,435,950

7. Grants Income

--	--	--	--

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	KSh	
Donations in kind from County Government	773,080	1,097,680
Total	773,080	1,097,680

Name of the entity within the grant	Amount recognized in the Statement of Comprehensive Income KSh	Amount deferred under deferred income KSh	Amount recognized in capital fund KSh	Total grant income during the year KSh	21/22/2023 KSh
Embu County Government	773,080	0	0	773,080	773,080
Total	773,080	0	0	773,080	773,080

8. Other Gains and Losses

	2022/2023	2021/2022
	KSh	
Fair value gain or losses on revaluation of property	1,014,560	0
Total	1,014,560	0

Notes to the financial statements (continued)

9. Staff Costs

	2022/2023	2021/2022
	KSh	
Gross Salary and Allowances	10,591,586	9,240,564
Casual workers' Wages	24,641	150,984.5
Medical insurance schemes	275,600	263,700
Employer's contributions to social security schemes	644,704	590,792

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Provisions for Leave pay	96,000	100,000
Total	11,632,531	10,346,040.5
The average number of employees during the year		
Permanent employees- company	21	21
Permanent employees -seconded from county government	2	3
Temporary and contract employees	3	3
	26	27

10. General and Operations Expenses

Electricity	31,185	38,300
Fuel, oil, lubricants, and gases	242,478	0
Office supplies	110,690	0
Telecommunication	225,500	233,200
Postage and courier	87,688	0
Insurance	100,953	0
Rent and Rates	72,000	72,000
Domestic Traveling and subsistence	1,212,760	1,315,110
Bank Charges	311,594	365,941
Security services	25,000	21,000
Publicity and advertising	5,640	96,648
Audit fees	339,146	126,500
Licensing and levies	100,000	0
Hospitality expenses	114,396	125,128
Staff welfare	0	19,000
Provision for doubtful debts	2,339,680	0
Total	5,318,710	2,412,827

Notes to the financial statements (continued)

11. Board Expenses

Sitting and other allowances	325,596	670,434.4
Total Board Expenses	325,596	670,434.4

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12. (A) Maintenance Expenses

	2022/2023	2021/2022
Buildings	4,500	5,795
Infrastructural networks	275,630	477,873
Motor vehicles	71,490	288,680
Total Maintenance Expenses	351,620	772,348
(B) Fee Expenses		
Grounds-forest easement	45,000	45,000
Board fee WASREB/TWWA	1,453,420	497,438
TWWA		746,157
Water use charges - WRA	439,704	439,704
Total Fee Expenses	1,938,124	1,728,299

13. Depreciation and Amortization Expenses

	2022/2023	2021/2022
Property, plant, and equipment	774,707	394,562
Total Depreciation and Amortization	774,707	394,562

Notes to the financial statements (continued)

14. Property, Plant and Equipment

At July 1, 2021	2,697,300	11,491,618	0	14,188,918
At June 30, 2022	2,697,300	11,491,618	0	14,188,918
Depreciation				
At July 1, 2021	2,583,380	6,915,591	0	9,498,971
Charge For the Year	28,480	366,082	0	394,562
At June 30, 2022	2,611,860	7,281,673	0	9,893,533
Net Book Value At June 30, 2022	85,440	4,209,945	0	4,295,385

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Cost or valuation				
As at 1 July 2022	1,100,000	11,491,618	0	12,591,618
Prior year adjustments	0	(9,500)		(9500)
As at 30th June 2023	1,100,000	11,482,118	0	12,582,118
Depreciation				
At July 1, 2022	0	7,484,459	0	7,484,459
Charge for the year	275,000	499,707	0	774,707
As at 30th June 2023	275,000	7,984,166	0	8,259,166
Net book value	825,000	3,497,952		4,322,952
At June 30, 2023	825,000	3,497,952	7,044,755	11,367,707

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Notes to the financial statements (continued)

14 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost Kshs	Accumulated Depreciation Kshs	Work in progress Kshs	NBV Kshs
Motor vehicles, including motorcycles	1,100,000	275,000		825,000
Water tank	0	0	7,044,755	7,044,755
Computers and related equipment	11,482,118	7,984,166		3,497,952
	12,582,118	8,259,166	7,044,755	11,367,707

15. Trade and Other Receivables

	2023/2023	2022/2022
Trade receivables (note (29a))	23,396,796	16,414,636
Gross trade and other receivables	23,396,796	16,414,636
Provision for bad and doubtful receivable	(2,339,680)	(1,641,464)
Net trade and other receivables	21,057,116	14,773,172

15. (a) Trade Receivables

	2023/2023	2022/2022
Gross trade receivables	23,396,796	16,414,636
Provision for doubtful receivables	(2,339,680)	(1,641,464)
Net trade receivables	21,057,116	14,773,172
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,211,000	-
Between 30 and 60 days	1,186,000	-
Between 61 and 90 days	1,161,000	-
Between 91 and 120 days	1,400,550	-
Over 120 days	18,438,246	-
Total	23,396,796	16,414,636

Notes to the financial statements (continued)

15. (b) Reconciliation of Impairment Allowance for Trade Receivables

At the beginning of the year	16,414,636	20,500,920
Additional provisions during the year	14,534,200	14,388,887
Recovered during the year	(11,485,313)	(14,810,502)
Prior year adjustments	3,933,273	-
At the end of the year	23,396,796	16,414,636

16. Bank and Cash Balances

Cash at bank	7,688,871	7,029,835
Cash in hand	100	7,544
	7,688,971	7,037,379

Detailed analysis of the cash and cash equivalents

a) 1. Current account		
Commercial banks	357,729	(111,742.18)
Sub- total	357,729	(111,742.18)
2. Current account		
Commercial banks	60,000	60,000
Sub- total	60,000	60,000
b) Fixed deposits account		
Other Commercial banks	7,271,142	7,081,578.18
Sub- total	7,271,142	7,088,078
Sub- total	7,688,871	7,364,160
c) Others(specify)		
Cash in hand	100	7,544
Sub- total	100	7,544
Grand total	7,688,971	7,037,379

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Notes to the financial statements (continued)

17. Revaluation Reserve

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

18. Fair Value Adjustment Reserve

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

19. Retained Earnings

	2022/2023	2021/2022
	KShs	KShs
As at 1 st July	-5,538,167	-2,928,204
Surplus / (deficit) for the year	-4,019,448	-2,609,963
Total	-9,557,615	-5,538,167

20. Borrowings

Domestic Borrowings		
a. Balance at beginning of the year	2,264,750	2,264,750
b. Borrowing during the year	0	0
Balance at end of the year	2,264,750	2,264,750
Total Balance at end of the period c = a+b	2,264,750	2,264,750

Being loan from customer deposits for the purchase of water meters.

Notes to the financial statements (continued)

21. Retirement Benefit Obligations

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. . Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

22. Trade and Other Payables

Trade payables	15,664,654	9,182,827
Accrued expenses	0	0
Employee payables	2,889,546	0
Other payables	2,264,750	2,264,750
Total	20,818,950	11,447,577

Aging Analysis for Trade and other Payables

	2022/2023	% of the total	2021/2023	% of the total
Under one year	5,840,784	28.05%	2,625,516	22.57%
1-2 years	2,508,328	12.05%	1,130,501	9.72%
2-3 years	4,522,882	21.72%	1,654,144	14.22%
Over 3 years	7,946,956	38.17%	6,224,660	53.50%
Total	20,818,950		11,634,821	

23. Refundable Deposits and Prepayments

Customer deposits	9,490,395	9,365,002
Total	9,490,395	9,365,002

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Notes to the financial statements (continued)

Aging Analysis for Refundable Deposits and Prepayments

	2022/2023	% of the total	2021/2022	% of the total
Under one year	182,000	1.9%	384,000	4.1%
1-2 years	384,000	4.0%	512,000	5.67%
2-3 years	512,000	5.39%	530,500	5.66%
Over 3 years	8,412,395	88.6%	7,938,502	84.77%
Total	9,490,395	100	9,365,002	100

24. Notes to The Statement of Cash Flows

	2022/2023	2021/2022
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(2,377,984)	(2,609,963)
Depreciation	774,707	394,562
(Gain)/loss on disposal of property, plant and equipment	1,014,560	0
(Increase)/decrease in trade and other receivables	(6,982,160)	1,628,269
Increase/(decrease) in trade and other payables	8,237,642	1,395,737
Increase/(decrease) in retirement benefit obligations	53,912	(14,436)
Increase/(decrease) in provision for staff leave pay	(4,000)	20,000
Cash generated from/ (used in) operation	1,081,079	841,169
(b) Analysis of changes in loans		
Balance at beginning of the year	2,264,750	2,264,750
Balance at end of the year	2,264,750	2,264,750
(c) Analysis of cash and cash equivalents		
Short term deposits	60,000	60,000
Cash at bank	7,628,871	6,969,836
Cash in hand	(100)	(7,544)
Balance at end of the year	7,688,971	7,037,379

Notes to the financial statements (continued)

Other Disclosures

25. Related Party Disclosures

County Government of Embu

The County Government of Embu is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Embu 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
- Tana Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund

Transactions with related parties

a) expenses incurred on behalf of related parties		
WRA	439,704	439,704
WASREB	581,368	497,438
TWWA	-	746157
Payments of salaries and wages for 2 employees	262,522	0
Total	1,283,594	1,683,299
a) Key management compensation		
Directors' emoluments	670,434	325,596
Total	670,434	325,596

26. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

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Notes to the financial statements (continued)

(i) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due but not impaired KShs	Past due and impaired KShs
At 30 June 2023				
Trade Receivables	23,396,796	-	-	-
Bank balances	7,682,471	-	-	-
Total	31,079,267	-	-	-
At 30 June 2022				
Receivables	16,414,636	-	-	-
Bank balances	7,037,379	-	-	-
Total	23,452,015	-	-	-

Credit Risk (Continued)

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

Notes to the financial statements (continued)

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

ii) Liquidity risk management

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

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

At 30 June previous year				
Trade payables	0	0	9,370,071	9,370,071
Current portion of borrowings	0	0	2,264,750	2,264,750
Total	0	0	11,634,821	11,634,821
At 30 June current year				
Trade payables	687,828	2,201,718	14,530,923	17,420,469
Current portion of borrowings	0	0	2,264,750	2,264,750
Total	687,828	1,375,656	13,552,133	15,615,617

(iii) Market risk

a) Foreign currency risk

The organisation is not exposed to foreign exchange risk since it does not have foreign currency transactions.

b) Interest rate risk

The organisation is not exposed to interest rate risk since it has no external borrowing.

c) Price risk

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Notes to the financial statements (continued)

The organisation does not hold investment that would be subject to price risk hence there is no exposure to price risk.

iv) Capital Risk Management

The objective of the Company’s capital risk management is to safeguard the Board’s ability to continue as a going concern. The Company’s capital structure comprises of the following funds:

	2022/2023	2021/2022
Revaluation reserve	19,436,994	19,436,994

27. Incorporation

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

28. Currency

The financial statements are presented in Kenya shillings (KSHS).

29. Events After the Reporting Period

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

30. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

No.	Auditor's Observations	Management Comments	Focal Person	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies in the financial statements	The balances have been adjusted to the correct figures		Resolved	

2.	Unreconciled variances in revenue	The balances have been adjusted		Resolved	
3	Unsupported property plant and equipment.	The ownership documents have been availed. However the offices are in the chiefs compound.		Resolved	
4	Unsupported trade and other receivables	The companys finance manual is on its last stages .		In progress	
5	Bank and cash balances	Noted		resolved	
6	Irregular internal borrowing from customer deposit account	The company will resume refunding when funds are available		In progress	
7	Unsupported payments on transport, travelling and subsistence allowance	The receipts and supporting documents are availed.		Resolved	
8	Unsupported staff costs	The company has regularised engament as per guidelines.		Resolved	
9	Budgetary control and performance	Board minutes for approval availed.		Resolved	
10	Non – revenue water	The company will ensure all connections are metered to avoid losses .		In progress	
11	Lack of risk management policy			In progress	
12	Lack of information communication technology (ICT) policy			In progress	

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No. of the external audit report	Issue from Auditor	Management comments	Area/ Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
13	Lack of environmental controls			In progress	
14	Lack of internal auditor			In progress	

General Manager
 Mr Eric Munene

Chairman of the Board
 mr. Erasmus Kithinji

26th September 2023

26th September 2023

Appendix II: Recording of Transfers from Other Government Entities

Name of the County/Ministry/Department Transferring	Date received as per bank statement	Receipt Description	Total Amount KES	Statement of Comprehensive Income	Where Recorded/recognized				Total Transfers during the Year
					Capital Expenditure	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	30/6/2023	Recurrent	773,080	773,080	0	0	0	0	773,080
Total			773,080	773,080					773,080

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Appendix III: Maintenance Expenses

	balance b/f june 2023	adjustments	accrued 2022- 2023	payments	2,023
Strategic plan			381,600	50,000	331,600
knao	805,965	382,185	339,146		1,527,296
internal borrowing	2,264,750				2,264,750
TAX	519,303		4,072,003		4,072,003
salary	681,008			681,008	-
Jun-23			826,062		826,062
May-23			687,828		687,828
Apr-23			687,828		687,828
Mar-23			687,828		687,828
audit provision			339,146		339,146
sub total	4,271,026	382,185	8,021,442	731,008	11,424,342
Fee Expenses					
twsb	3,717,660		872,052		4,589,712
wasreb	2,042,600		581,368	30,000	2,593,968
warma	1,371,290		439,704	17,640	1,793,354
forest	45,000		45,000		90,000
sub total	7,176,551	-	1,938,124	47,640	9,067,035
	11,447,577	382,185	9,959,566	778,648	20,491,376

