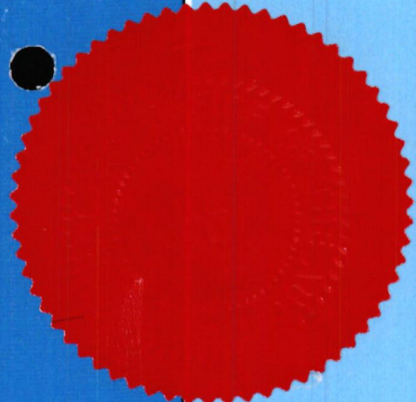
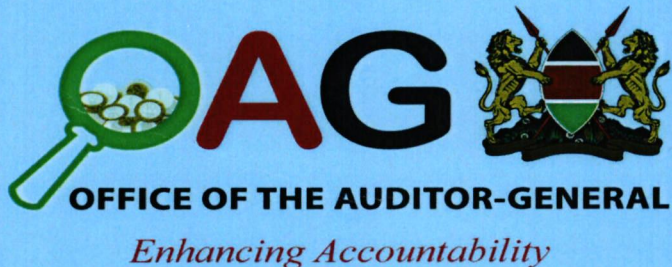


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**REPORT**

**OF**

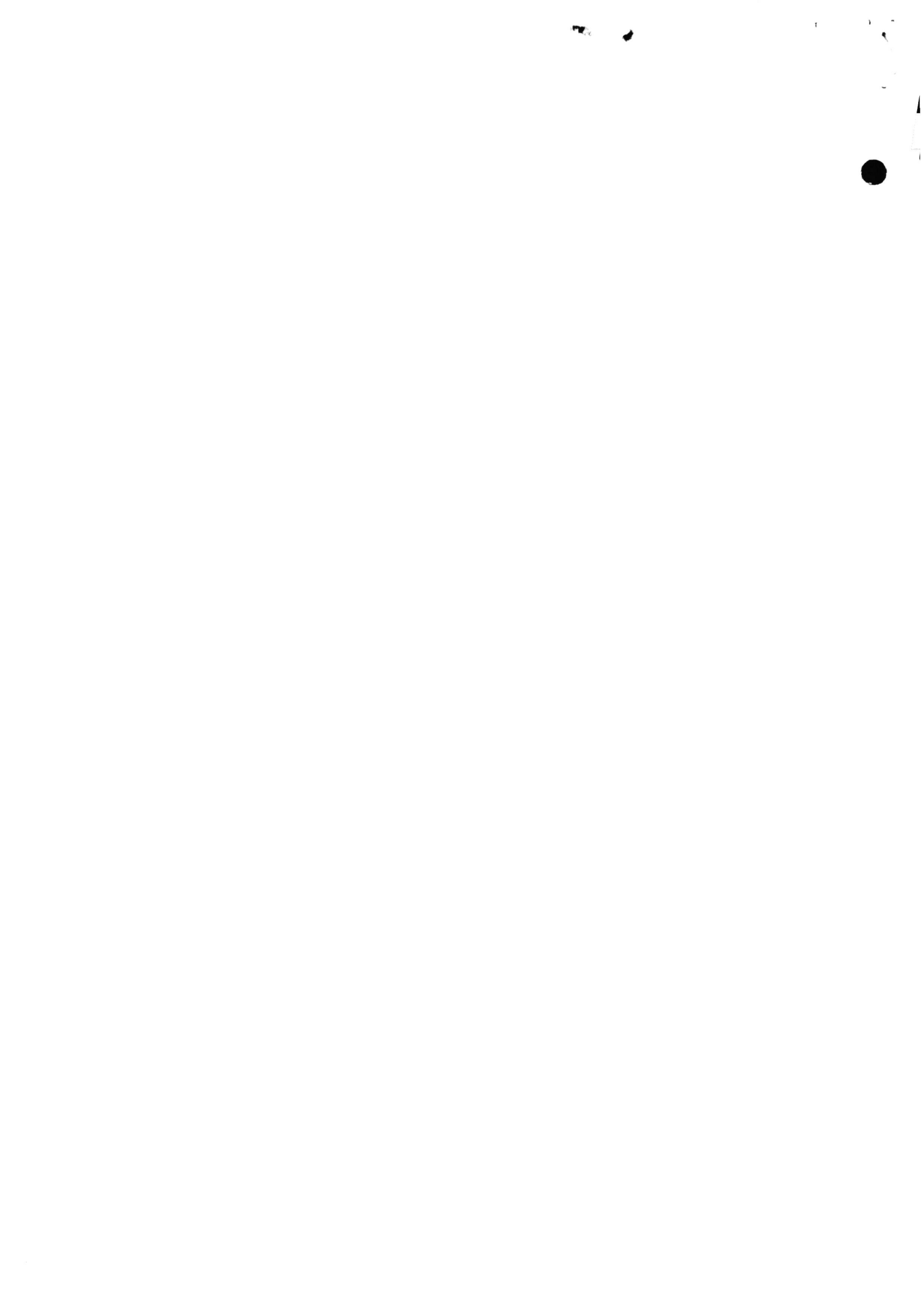
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**THE AUDITOR-GENERAL**

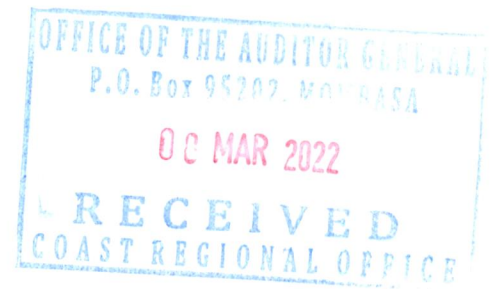
**ON**

**MOMBASA WATER SUPPLY AND SANITATION  
COMPANY LIMITED**

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



MOMBASA WATER SUPPLY & SANITATION CO. LTD



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ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021

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

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## CORPORATE INFORMATION

### Background Information

Mombasa Water Supply and Sanitation Company Limited was established under the Water Act of 2002. This Act was later repealed and replaced by Water Act, 2016 which aligns the legal framework in Water Sector to the Constitution of Kenya, 2010 where water services provision is a devolved function to the County Governments under Schedule 4.

Mombasa Water was incorporated in Kenya on 18th March, 2011. It is licensed by the Water Services Regulatory Authority to distribute water and provide sanitation services to the residents of Mombasa County. At cabinet level, the company is represented by the Cabinet Secretary for Water & Sanitation and Irrigation for the general policy and strategic direction of the sector.

<b>Company Vision</b>	To be a Water Service Provider of repute
<b>Company Mission</b>	To provide safe, reliable, affordable water and sewerage services in an efficient and viable manner to the residents of Mombasa County
<b>Registered office</b>	Mikindani Street, Off Nkrumah Road P.O Box 1100 - 80100 Mombasa Kenya
<b>Independent Auditors</b>	Auditor- General Anniversary Towers, University Way P.O Box 30084 - 00100, GPO Nairobi
<b>Principal bankers</b>	Equity Bank Limited P.O.Box 84618 - 80100 Mombasa  Housing Finance Corporation P.O. BOX 84839-80100 Moi Avenue Branch Mombasa

### Directors

The directors who served the company during this period of audit (July-20 to June-21) were:

1. Justus Nyarandi	Chairman	Appointed on 1st August 2018
2. Atul Patel	Director	Appointed on 1st Feb 2020
3. Christine Ockotch	Director	Re-appointed on 31st July 2018
4. Anisa Salim	Director	Re-appointed on 31st July 2018
5. Faiza Bajaber	Director	Re-appointed on 31st July 2018
6. Asha Abdi	Director	Appointed on 31st July 2018
7. Muthoni Gatherer	Director	Appointed in September 2018
8. Anthony K. Njaramba	Managing Director	Appointed in February 2019

**CORPORATE INFORMATION Continued.....**

**Principal Legal Advisers**

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





2. Jacqueline Waihenya Maina & CO.  
Jubilee Insurance Building  
Moi Avenue Mombasa  
P. O. Box 777-80100  
Mombasa

**Corporate Headquarters**

Mombasa Water Supply & Sanitation Co Ltd  
P.O. Box 1100-80100  
Mikindani Street Off Nkrumah Rd  
MOMBASA, KENYA

**Corporate Contacts**

Telephone: (254) 041-2222700  
E-mail: [info@mombasawater.co.ke](mailto:info@mombasawater.co.ke)  
Website: [www.mombasawater.co.ke](http://www.mombasawater.co.ke)

<p>1</p>		<p>Mr. Omae Nyarandi is the Chairman of the Board. He was born in 1969. He holds an MBA (Strategic Management) from the University of Nairobi, Certified Public Accountant (CPA-K), Certified Public Secretary (CPSK) and Chartered Institute of Purchasing &amp; Supply (MCIPS) with over 29 years accumulated work experience in areas of Strategy, Commercial, Procurement and Finance. His experience includes 12 years at the Kenya Ports Authority up to the year 2016 where among others, he held position of GM Corporate Services in charge of Strategic Planning, Research, Marketing, Corporate Communication and Information Technology Departments. Between 2016-2018, he was a Principal Partner at Maritime Business &amp; Economic Consultants where among other services he was in charge of consultancy in strategy, logistics and finance. He is currently the Executive Secretary/CEO of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA), a regional intergovernmental institution comprising 6-member states of Burundi, Democratic Republic of Congo, Kenya, Rwanda, Uganda and South Sudan.</p>
<p><i>Mr. Omae Nyarandi</i></p>		
<p>2</p>		<p>Catherine Muthoni Gatere was born on 5th March 1963. She is a Non-Executive Director and Chair of the Finance and Commercial Committee of the Board. She is a holder of Bachelor of Laws Degree (LLB Hons) from the University of Nairobi, Diploma in Law (Legal Practice from Kenya School of Law and Masters of Laws (LL.M) from International Maritime Law Institute, Malta. She possesses over 26 years of work experience as a Legal counsel, Senior Corporate Manager, an advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public and Certified Public Secretary.</p>
<p><i>Muthoni Gatere</i></p>		
<p>3</p>		<p>Christine Ockotch isa Non-Executive director and Chair of the Human Resources Committee of the Board. She has over 25 years of work experience in Education Sector. She is the Director of Palmaeek Academic Services Ltd. She holds a Bachelors Degree in Education from Kenyatta University and Masters Degree (MiddleSex University, UK). Director Christine also holds a Certificate of Corporate Governance and is the Patron of Kenya Private Schools Association, Mombasa Branch.</p>
<p><i>Christine Ockotch</i></p>		
<p>4</p>		<p>Mr Atul Patel is a Member of the Risk &amp; Audit Committee of the Board having been appointed on July 31st, 2019. He possesses over 30-years of work experience in the manufacturing industry, having been the first manufacturers of all types of metal springs in Kenya. An astute businessman and a household name in manufacturing, Mr Patel holds a Diploma in Business Administration from the former Kenya Polytechnic, now Technical University of Nairobi. Mr Patel represents the Manufacturers' stakeholder group according to the WASREB Corporate Governance requirements.</p>
<p><i>Mr. Atul Patel</i></p>		

BOARD OF DIRECTORS Continued.....

5



*Faiza Bajaber*

Faiza Bajaber was born on 7th October 1972. She has a Bachelors Degree from the University of Nairobi. She is a Non-Executive Director with over 21 yrs of work experience in Utility Sector. She is currently the Project Development Manager at Travellers Beach Hotel.

6



*Anisa Salim*

Mrs. Anisa Salim was born on 15th October 1963. She is a non-executive director and holds a Diplomas in Institutional Development and Psychology, Counselling and Guidance from Kenya Polytechnic Nairobi. She is the Regional Human Resources Officer- Coast Region, a post she has held since the year 1984.

7



*Asha Abdi*

Ms Asha Abdi is a Non-Executive Director currently serving as the Chief Officer Finance and Economic Planning for the County Government of Mombasa where she manages revenue, planning, internal audit, accounting and procurement functions at the county treasury. She holds a Bachelors Degree in Economics and she is currently pursuing Masters in Degree in Project Planning and Management from the University of Nairobi. Ms Abdi has also undertaken advanced management programs for executives at Harvard school Boston, Lagos Business School and IESE Business school Barcelona. Ms Abdi has over 10 years experience in Finance and Banking having worked in various capacities in equity bank limited and the county government of isiolo where she served as the county executive member for Finance and Economic Planning

8



*Anthony Njaramba*

Mr. Anthony Njaramba was the Managing Director and Secretary to the Board until 31st July 2021 when he exited the Company. He is currently pursuing MBA and is a graduate of Bachelors Degree in Business Management. He has held several top management positions both in public and Private Sector. He has over 21 years experience in Management having started as Finance Manager with Shell Limited.

**MANAGEMENT TEAM**

1



**Anthony Njaramba - Managing Director**

Mr. Anthony Njaramba was until 31st July 2021, the Managing Director. He was appointed on January 21, 2019 replacing Mr. Francis Kombe who vacated the helm of the company to serve the County Government of Mombasa. Mr. Njaramba was responsible for the overall stewardship of the company in providing water and sanitation services to residents of the Mombasa County.

2



**Timothy Ngendo Mugo - General Manager Engineering & Strategy**

Eng Mugo is the GM Engineering & Strategy and also the Ag. Managing Director. Besides his role of managing Technical Operations and water demand, he is also responsible for overall stewardship of the Company in its business of providing water and sanitation services to the residents of Mombasa.

3



**Mr. Emmanuel Cherop - Business Operations Manager**

Mr. Cherop is the Business Operations Manager. He is responsible for development of effective and successful business strategies that meet the needs of the Company.

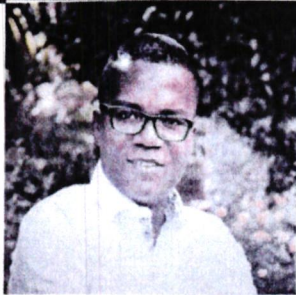
4



**Amos Dhadho Galole - General Manager Human Capital and Administration**

Mr. Galole is responsible for overall Human Capital Development and Administration Services of the Company

5



**CPA Ndege Juma Collistant- Finance Manager**

CPA Ndege is responsible for strategic financial planning and management, financial advisory, resource mobilization, control and reporting for the Company

## **REPORT OF THE MANAGING DIRECTOR**

### **RESULTS**

The Company posted a 35% reduction in loss position to Kshs. 78Million compared to the previous year. This was majorly occasioned by negative effects of Covid-19 Pandemic on the business of the Company, aged water infrastructure leading to high system losses (Non-revenue water) and continued rise in cost of doing business

### **COMPANY'S STRATEGIC DIRECTION**

Covid-19 Pandemic has created a shift in the way of doing business. As a Company and in the Utility Sector, we have realigned our processes to the new norm by digitizing our business processes and partnering with stakeholders to drive our water business. The Management and Board of Directors will continue overseeing corporate governance and offer strategic leadership in helping the Company deliver on its four agenda of reducing NRW, growing water and related revenue streams, improving collection efficiency and containing its cost of doing business. The company has particularly partnered with Development Partners; the World Bank and Africa Development Bank in overhauling and replacement of old infrastructure aimed at reducing inefficiencies in Non Revenue Water, increase water supply and access to residents. The company is also in the process of reviewing its water tariff to match cost of distributing water to consumers as it seeks to achieve its overall goal of providing safe water for all.

### **THE CHALLENGE**

The COVID-19 Pandemic, below full-cost recovery water tariff, increasing non revenue water and rising costs of operations remained the biggest challenges during this period of review. To address this, the company has embarked on renegotiating water supply balancing with CWWDA, smart metering and replacement and overhaul of infrastructure to curb NRW.

### **THE FUTURE**

The Company's future continues to brighten. With losses decreasing and the Company currently implementing the infrastructural Improvement Projects funded by the World Bank & aimed at increasing water supply, I am optimistic that turn around is realizable. The process of repricing our water and sanitation services (water and sewerage tariff) for the next 5 years is also underway and expected to be approved in the FY 2021-2022. This will see the company cover its operational costs as it moves towards financial sustainability. The Board of Directors and Management, together with World Bank Consultants are engaged in Management Turnaround Programmes that will further see the company plug its budget deficit.

### **APPRECIATION**

We convey our appreciation to our customers who have continued to support our operations through timely payment of their bills and partnered with us in various engagements of improving water supply levels. To the Management and employees who stand with the company and offer their labour tirelessly, my recognition of your efforts is unconditionally honoured. May we sustain the momentum of changing the fortunes of Mombasa Water.



**Abdirahim Farah**  
*Ag. Managing Director*

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the company for the year ended 30th June 2021 which show the state of affairs of Mombasa Water Supply and Sanitation Company Limited

## PRINCIPAL ACTIVITIES

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

## FINANCIAL RESULTS

Loss before taxation	<b>Ksh.</b> (78,891,997)
Taxation charge	Nil
Loss for the year transferred to retained earnings	(78,891,997)

## DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year 2021.

## DIRECTORS

The members of the Board who served during the year are shown on pages 3 - 5

## AUDITORS

The Auditor General is responsible for the statutory audit of Mombasa water Supply and Sanitation Company Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and Section 35 of the Public Audit Act, 2015.

## ON BEHALF OF THE BOARD

  
Chairman

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Water Act 2015 require the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the preparation and fair presentation of Financial Statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the

The Directors accept responsibility for the Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company as at 30th June 2021 and of its operating results for the year then ended. The Directors further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the Financial Statements, as well as on the adequacy of the systems of internal financial controls.

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

### Approval of the financial statements

The Mombasa Water Supply and Sanitation Company Ltd financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:



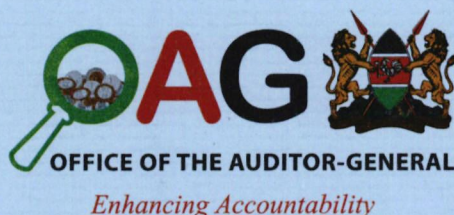
Chairman



Director

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA WATER SUPPLY AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mombasa Water Supply and Sanitation Company Limited set out on pages 10 to 23, which comprise of the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the

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*Report of the Auditor-General on Mombasa Water Supply and Sanitation Company Limited for the year ended 30 June, 2021*

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

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

### **Basis for Qualified Opinion**

#### **1. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss before tax of Kshs.78,891,997 (2020: a loss of Kshs.120,548,405) which brought the Company's accumulated loss to Kshs.2,077,362,476 as at 30 June, 2021 (2020: Kshs.2,062,438,655). Further, the current liabilities of Kshs.1,819,429,214 exceeded the current assets of Kshs.354,831,536, resulting in a negative working capital of Kshs.1,464,597,678 as at 30 June, 2021. The negative liquidity position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern.

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

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

#### **2. Unsupported Legal Fees**

The statement of profit or loss and other comprehensive income reflects legal and professional expenses totalling Kshs.15,021,530 as disclosed in Note 18 to the financial statements which includes legal expenses of Kshs.7,612,300. The amount further includes an amount of Kshs.4,142,000 relating to a payment made to a legal firm for registering the transfer of the Company's shares from Municipal Council Mombasa to the County Government of Mombasa, registering appointment of the Chairman and members of the Board and finalizing formal agreement of transfers of asset, liabilities

and obligations. However, there was no evidence supporting the payment that was made for the work done by the legal firm.

In the circumstances, the propriety and validity of the legal expenses Kshs.4,142,000 could not be confirmed.

### **3. Unbudgeted Company Secretary Services**

The statement of profit or loss and other comprehensive income reflects directors' expenses of Kshs.5,051,400 as disclosed in Note 20 to the financial statements, out of which an amount of Kshs.2,348,000 relates to expenditure on Company Secretary services. However, the expenditure was not included in the annual budget for the financial year under review. Further, the supporting payment vouchers were not reviewed and authorized by an appropriate senior officer before payment.

In the circumstances, the propriety of the expenditure on Company Secretary services of Kshs.2,348,000 could not be ascertained.

### **4. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.184,078,579 as disclosed in Note 7 to the financial statements. Included in the balance is an amount of Kshs.4,493,344 held in an Account which was not supported by a certificate of bank balance, bank statements and cash book. Further, included in the balance is an amount of Kshs.563,391 held in a mobile money account which was not supported by a confirmation certificate.

In the circumstances, the completeness and accuracy of the cash and cash equivalents balance of Kshs.184,078,579 could not be confirmed.

### **5. Unconfirmed Share Capital**

As previously reported, the Company was incorporated on 18 March, 2011 to take over services of the defunct Mombasa Water and Sewerage Company Limited which had an authorized share capital of Kshs.5,000,000. However, the old Company was not liquidated and no shares had been transferred to the new Company as at 30 June, 2021. Further, out of the new Company's authorized share capital of 5,000 ordinary shares of Kshs.1,000 each, only twelve (12) shares valued at Kshs.12,000 were allotted but not paid for, leaving a balance of 4,988 shares un-allotted.

Further, Note 2 to the financial statements reflects issued but not paid 5,012 ordinary shares of par value of Kshs.1000 each and twelve (12) ordinary shares of par value of Kshs.20 each, which is more than the authorized ordinary shares of 5000. In addition, the issued but not paid for share capital of Kshs.5,000,240 is also reflected in the statement of financial position under assets as amount due/ receivables from shareholders, resulting in a non-existent asset.

In the circumstances, the accuracy and completeness of the share capital balance of Kshs.5,000,240 could not be confirmed.

## **6. Long Outstanding Debts**

The statement of financial position reflects trade and other payables balance of Kshs.1,819,429,214 and as disclosed in Note 11 to the financial statements. Included in the balance is an amount of Kshs.1,357,109,880 relating to trade payables, out of which Kshs.1,317,074,279 or 97% had been outstanding for more than ninety (90) days as at 30 June, 2021.

The trade payables includes an amount of Kshs.1,153,469,128 relating to debts owed to Coast Water Works Development Agency. Although supporting invoices for the amount were provided for audit , the Agency's records indicated an outstanding debt of Kshs. Kshs.1,571,123,390 and thus, resulting in a variance of Kshs.417,654,262 which was not explained or reconciled.

Further, Note 11 to the financial statements reflects a nil balance for Water Service Trust Fund (WSTF) Grant whereas the supporting schedule provided for audit review indicated an amount of Kshs.1,416,603. This anomaly was also not explained.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs1,819,429,214 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mombasa Water Supply 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 qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Failure to Present the Other Information Accompanying Financial Statements**

The other information accompanying the financial statements of the year under review did not contain the Chairman's statement, corporate governance statement, management discussion and analysis, environment and sustainability reporting and corporate social responsibility/ statements.

In the circumstances, the financial statements do not comply fully with the financial reporting guidelines and template issued by the Public Sector Accounting Standards Board.

## **2. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,302,255,054 and Kshs.1,254,780,290 respectively resulting to a shortfall in revenue of Kshs.1,047,474,764 or 46% of the budget. Similarly, the Company spent Kshs.929,760,387 against an approved budget of Kshs.2,302,255,054, resulting to an under-expenditure of Kshs.1,372,494,667 or 60% of the budget

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

## **3. Unresolved Prior Year Matters**

In the audit report of the previous year, a number of issues were raised under the Report on Financial Statements. However, Management has not resolved the issues nor disclosed all the prior year audit matters as provided by the Public Sector Accounting Standards Board templates

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Sewerage and Sanitation Management in Mombasa City**

Review of the Company's records and an audit inspection carried out in January, 2022 revealed weaknesses in the management of sewerage and sanitation services within Mombasa City as detailed below:

- (i) The Company transports waste from customers who are not connected to its sewer networks using exhausters. However, the Company does not have a license from National Environment Management Authority to carry out the service.
- (ii) Raw sewer waste on Mombasa Island and West Mainland is emptied into the ocean due to lack of sewer treatment plants.
- (iii) The sewer treatment plants at Kizingo and Kipevu have not been operating for the last 20 years and 7 years, respectively.
- (iv) In addition, nine sewer networks collapsed (five in Old town, two in Mambwe and two in West Mainland) while all the eight pump stations (four in West Mainland and four on the Island) are also not working.

- (v) Further, the untreated waste poses health hazards to the residents of Mombasa City.

This is contrary to Regulations 10 and 11 of the Environmental Management and Co-ordination (Waste Management) Regulations, 2006 which requires an operator to have a license for the transportation of waste and to operate a waste disposal site or plant among others.

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

## **2. Irregular Award of Contract**

In the year under review, the Company awarded a contract for motor vehicle insurance to a local motor insurance company. Review of the insurance contract number MWSS/WSDP/089/2020-2021 which was entered into with the insurance provider on 20 May, 2021 revealed that notification of tender award was issued on 13 May, 2021 which was less than the stipulated fourteen days window period before signing of contract. Further, the procurement approval was signed by a person other than the Accounting Officer but no authorizing letter delegating such responsibility was provided for audit verification.

This is contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that, "a written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period".

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

## **3. Processing of Procurement of Goods and Services outside the e-Procurement System**

In the year under review, the Company processed the procurement of goods and services manually and outside the approved e-procurement system contrary to Regulation 49 (2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that, "the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal".

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

## **4. Irregular Expenditure on Repairs and Maintenance of Motor Vehicles**

The statement of profit or loss and other comprehensive income reflects transport and traveling amount of Kshs.31,026,839 as disclosed in Note 19 to the financial statements. The transport and travelling amount includes an expenditure for repairs and maintenance of motor vehicles of Kshs.13,773,574. However, the repairs were not supported with pre and post inspection reports from the Department of Public Works.

Further, the Company procured a one-year framework contract for repair and maintenance of motor vehicles using request for quotations and not open tender, contrary Regulation 102 of the Public Procurement and Asset Disposal Regulations, 2020 which

states that, "a procuring entity may enter into a framework agreement through open tender using an invitation to tender which shall specify (a) that the procuring entity intends to establish a framework agreement; (b) the number of suppliers or contractors which shall not be less than seven alternative vendors; (c) the duration of the framework agreement which shall not exceed three years; (d) the evaluation criteria; (e) an estimate of the total volume or scope of work or quantity of purchases expected to be made for the duration of the framework agreement, as appropriate; and (f) any other information as may be deemed relevant".

In addition, there was only one repair and maintenance service provider which is contrary to framework contract requirement.

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

## **5. Irregular Expenditure on Fuel and Oils**

The statement of profit or loss and other comprehensive income reflects transport and traveling amount of Kshs.31,026,839 as disclosed in Note 19 to the financial statements. The transport and travelling amount includes an expenditure on fuel and oils of Kshs.12,621,606. Audit review of the expenditure revealed the following anomalies:

- (i) Circular No. OP/CAB.9/108A dated 30 April, 2015 for supply of fuel and oil to the Government by National Oil Corporation of Kenya (National Oil) states that, "in order to realize the benefits, all Ministries and Government Agencies are, therefore, requested to liaise and negotiate with the Corporation for supply of fuel and oil". However, no evidence of negotiation between the Company and National Oil was provided for audit review.
- (ii) Fuel and lubricants costing Kshs.12,621,606 were not taken on charge vide Counter Receipt Vouchers (S13).
- (iii) Work tickets of the Company vehicles did not indicate total fuel drawn, fuel carried forward and distance covered.

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

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed. I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of 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 in agreement with the accounting records and returns.

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

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

In preparing the financial statements, the 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.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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

  
 CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 September, 2022

*MOMBASA WATER SUPPLY & SANITATION CO. LTD*  
*Annual Reports and Financial Statements*  
*For the year ended June 30, 2021*

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


	Notes	2021 Kshs	2020 Kshs
Water Sales	12	629,204,556	600,460,067
Sewerage Sales	12	149,312,813	151,379,514
Cost of sales	13	(249,909,500)	(244,005,660)
<b>Gross Profit (Loss)</b>		528,607,869	507,833,921
Grant - WSTF CLSG	14	71,894,175	
Other Income	14	456,847	231,186
<b>TOTAL REVENUES</b>		600,958,891	508,065,107
<b>OPERATING EXPENSES</b>			
Operation and Maintenance	15	75,603,574	62,086,829
Administration Costs	16	55,448,155	85,493,158
Staff Costs	17	401,073,437	384,601,278
Legal and Professional	18	15,021,530	10,713,752
Transport & Travelling	19	31,026,839	25,515,746
Directors Expenses	20	5,051,400	3,618,800
Advertising & Publicity	21	1,814,422	2,168,018
Other Operating Expenses	22	94,811,531	54,415,931
<b>TOTAL OPERATING EXPENSES</b>		679,850,887	628,613,512
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		(78,891,997)	(120,548,405)
Profit/(Loss) before tax		(78,891,997)	(120,548,405)
Balance Brought Forward		(2,062,438,655)	(1,941,890,250)
Prior year Adjustments	3	63,968,175	-
<b>Loss Carried Forward</b>		(2,077,362,476)	(2,062,438,655)


MOMBASA WATER SUPPLY & SANITATION CO. LTD  
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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2021 Kshs	2020 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5.1	112,568,597	118,018,456
Intangible assets	5.2	8,003,301	2,456,154
Amount due from shareholders	8	5,000,240	5,000,240
Work in Progress plant & machinery-WSDP	6	237,429,093	217,337,324
<b>Total Non-Current Assets</b>		<b>363,001,232</b>	<b>342,812,174</b>
<b>Current Assets</b>			
Trade and other receivables	9	170,752,957	239,043,018
Cash and cash equivalent	7	184,078,579	37,007,106
<b>Total Current Assets</b>		<b>354,831,536</b>	<b>276,050,124</b>
<b>TOTAL ASSETS</b>		<b>717,832,768</b>	<b>618,862,298</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	2	5,000,240	5,000,240
Capital reserve	4	485,003,469	485,003,469
Retained earnings	3	(2,077,362,476)	(2,062,438,655)
<b>Capital and Reserves</b>		<b>(1,587,358,767)</b>	<b>(1,572,434,946)</b>
<b>Non-Current Liabilities</b>			
WSDP Loan	10	475,806,074	247,584,920
Sevice gratuity	10	9,956,247	10,574,813
<b>Total Non-Current Liabilities</b>		<b>485,762,321</b>	<b>258,159,733</b>
<b>Current Liabilities</b>			
Trade and other payables	11	1,819,429,214	1,933,137,511
<b>Total Current Liabilities</b>		<b>1,819,429,214</b>	<b>1,933,137,511</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>717,832,768</b>	<b>618,862,298</b>

The financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:

  
 Ag. Managing Director  
 Name: Abdirahim Farah

  
 Finance Manager  
 Name: Wincate Musyoka  
 ICPAK M/No: 12239

  
 Chairman of the /Board  
 Name: Justus Nyarandi

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**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2021

	Note	2021 Kshs	2020 Kshs
<b>Cash flows from operating activities</b>			
<b>(Loss) before income tax</b>		<u>(78,891,997)</u>	<u>(120,548,405)</u>
<b>Adjustments for:</b>			
Prior year Adjustments	3	63,968,175	
Armotisation and Depreciation on property,	5(a)	26,556,166	10,306,470
<b>Operating loss before working capital changes</b>		<u>11,632,344</u>	<u>(110,241,934)</u>
<b>(Increase) / decrease in:</b>			
Trade and other receivables	9	68,290,061	(44,364,984)
<b>Increase / (decrease) in:</b>			
Trade and other payables	11	(113,708,297)	261,993,706
Non-Current Liabilities	10	227,602,588	218,731,681
<b>Cash generated from operations</b>		<u>193,816,696</u>	<u>326,118,469</u>
Tax Paid		-	-
<b>Net cash (used in) operating activities</b>		<u>193,816,696</u>	<u>326,118,469</u>
<b>Cash flows from investing activities</b>			
Work in Progress plant & machinery-WSDP	6	(20,091,769)	(217,337,324)
Purchase of PPE	5(a)	(26,653,455)	(83,183,107)
<b>Net cash (used in) investing activities</b>		<u>(46,745,224)</u>	<u>(300,520,432)</u>
<b>Cash flows from financing activities</b>			
Share Capital		-	-
<b>Net cash (used in) financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease) in cash and cash equivalents</b>		147,071,473	25,598,037
<b>Cash and cash equivalents at 1st July- 20</b>		37,007,106	11,409,068
<b>Cash and cash equivalents at 30th June-21</b>	7	<u>184,078,578</u>	<u>37,007,106</u>

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

	Share Capital Kshs	Retained Earnings Kshs	Capital Reserve Kshs	Total Kshs
At 1st July 2020	5,000,240	(2,062,438,655)	485,003,469	(1,572,434,946)
Prior year Adjustments		63,968,175		63,968,175
Net profit for the year		(78,891,997)		(78,891,997)
At 30th June 2021	<u>5,000,240</u>	<u>(2,077,362,476)</u>	<u>485,003,469</u>	<u>(1,587,358,767)</u>
	Share Capital Kshs	Retained Earnings Kshs	Capital Reserve Kshs	Total Kshs
At 1st July 2019	5,000,240	(1,941,890,250)	485,003,469	(1,451,886,541)
Net profit for the year		(120,548,405)		(120,548,405)
At 30th June 2020	<u>5,000,240</u>	<u>(2,062,438,655)</u>	<u>485,003,469</u>	<u>(1,572,434,946)</u>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

For the year ended June 30, 2021

	Original budget	Adjustments	Final budget	Actual on	Performance
	2020-2021	2020-2021	2020-2021	comparable	difference
	Kshs	Kshs	Kshs	2020-2021	2020-2021
				Kshs	Kshs
<b>Revenue</b>					
Water sales	680,591,295	-	680,591,295	629,204,556	(51,386,740)
Sewer Sales	163,186,500	-	163,186,500	149,312,813	(13,873,687)
Other income	230,053	-	230,053	(71,437,328)	(71,667,381)
Grant - WSTF CLSG	-	210,900,000	210,900,000	71,894,175	(139,005,825)
WSDP- Loan	-	1,239,847,205	1,239,847,205	475,806,074	(764,041,131)
WSUP Grant	6,000,000	-	6,000,000	-	(6,000,000)
Mombasa County Grant	1,500,000	-	1,500,000	-	(1,500,000)
<b>Total income</b>	<b>851,507,849</b>	<b>1,450,747,205</b>	<b>2,302,255,054</b>	<b>1,254,780,290</b>	<b>(1,047,474,764)</b>
<b>Expenses</b>					
Purchahse of Bulk Water	247,200,000	-	247,200,000	249,909,500	(2,709,500)
Operation and Maintenance WSDP	7,035,994	130,283,231	137,319,225	15,700,991	121,618,234
Operation and Maintenance	36,594,905	16,450,000	53,044,905	59,902,582.86	(6,857,678)
Administration Costs	91,569,329	1,745,000	93,314,329	55,448,155	37,866,174
Staff Costs	387,827,975	1,976,000	389,803,975	401,073,437	(11,269,461)
Legal and Professional	7,800,000	7,577,677	15,377,677	15,021,530	356,147
Transport & Travelling	29,300,000	2,000,000	31,300,000	31,026,839	273,161
Directors Expenses	6,509,200	-	6,509,200	5,051,400	1,457,800
Advertising & Publicity	1,500,000	-	1,500,000	1,814,422	(314,422)
Depreciation	7,470,445	-	7,470,445	26,556,166	(19,085,720)
Bad Debts	15,000,000	-	15,000,000	68,175,034	(53,175,034)
Fines and Penalties	1,500,000	(1,400,000)	100,000	80,332	19,668
<b>Total expenditure</b>	<b>839,307,849</b>	<b>158,631,908</b>	<b>997,939,757</b>	<b>929,760,387</b>	<b>68,179,369</b>
<b>Surplus (loss) for the period before CAPEX</b>	<b>12,200,000</b>	<b>-</b>	<b>1,304,315,297</b>	<b>325,019,902</b>	<b>39,571,009</b>

## Summary of significant Accounting Policies

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

### a) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis for property, plant and equipment, financial instruments at fair value and liabilities at their fair value. The preparation of financial statements in conformity to International Financial Reporting Standards (IFRS) allows use of estimates and assumptions. It requires management to exercise judgement in the process of reporting 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 this entity and all values are rounded to the nearest shilling. In addition, the financial statements have been prepared in accordance with PFM Act, 2012, The Companies Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**Adoption of new and revised International Financial Reporting Standards (IFRS) and interpretations**  
In 2007, new and revised standards and interpretations became effective for the first time and have been adopted by the Company where relevant to its operations. This only resulted in changes in presentation and disclosures as follows:

Sales are the aggregate invoiced value of the residential rental services rendered

#### IFRS 7 Financial Instruments : Disclosures

This standard requires disclosures that enable users of the Financial Statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the Financial Statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

#### IAS 1 Presentation of Financial Statements

This amendment requires the Company to make new disclosures to enable users of the Financial Statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 1 (a)

The following amendment to an existing standard will be mandatory for the Company's accounting periods beginning on or after 1 January 2008, but which the Company has not early adopted:

IFRIC 11 - Group and Treasury Share Transactions - from 01 January 2008

IFRIC 12 - Service Concession Arrangements - from 01 January 2008

IFRS 8 - Operating Segments - from 01 January 2009

IAS 23 - Borrowing costs ( revised) - from 01 January 2009

### b Revenue Recognition

Sale of goods are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and the collectability of the related receivables are reasonably assured.

Sale of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assess on the basis of the actual service provided as apportion of the total services provided.

Revenue represents the fair value of the consideration received or receivable for the sales of goods and services and is stated net of adjustments.

### c Trade Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate. A provision for impairment is recognised in the profit and loss account in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at effective interest rate. Receivables not collectable are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

#### Summary of significant Accounting Policies(Cont'd)

##### d) Provision for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

##### g) Retirement benefit obligations

The Company does not have an in-house pension scheme and has allowed its employees on permanent and pensionable terms to join pension scheme of their choice and contribute 7.5% of their basic pay while it (Company) doubles the contribution (15%) of basic pay. Also the company and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the partnership's contributions are charged to the profit and loss account in the year to which they relate.

##### h) Taxation

Current tax is provided on the basis of the results for the year in accordance with the fiscal laws of Kenya.

##### i) Financial Liabilities

All financial liabilities including borrowings are recognised initially at fair value.

##### j) Cash and cash

Cash and cash equivalents include cash in hand, short term and call deposits with banking institutions and other short term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of bank overdrafts.

##### h) Property, Plant and Equipment & Depreciation

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation. Depreciation on PPE is recognised in the income statement on a reducing balance and on prorata basis in the year of acquisition. The annual rates in use are:

PPE	Depreciation Rate, %
Buildings	2.5%
Plant and equipment	12.5%
Motor vehicle	25.0%
Furniture and fittings	12.5%
Computer and accessories	30.0%
Office Equipment	12.5%
Water Meters	12.5%
Computer software	30.0%
Bicycles	25.0%

MOMBASA WATER SUPPLY & SANITATION CO. LTD

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Notes to Financial Statements

	2021 Kshs	2020 Kshs
<b>2 Share Capital</b>		
Authorised number of ordinary shares 5,000 per value of Kshs 1,000 each and 12 number of ordinary shares per value of Kshs 20.	5,000,240	5,000,240
Issued but not paid up 5,012 Ordinary Shares	<u>5,000,240</u>	<u>5,000,240</u>
<b>3 Retained Earnings</b>		
As at 1st July	(2,062,438,655)	(1,941,890,250)
Prior year adjustments	63,968,175	-
Net Profit / (Loss) as at 30th June	<u>(78,891,997)</u>	<u>(120,548,405)</u>
	<u>(2,077,362,476)</u>	<u>(2,062,438,655)</u>
Retained earning is adjusted by Kshs. 63,968,175 being administration fees that had overstated the year loss. The Sector Regulator suspended its its continued charge.		
<b>4 Capital Reserves</b>		
As at 30th June	<u>485,003,469</u>	<u>485,003,469</u>

Notes to Financial Statements (Cont'd)

5(a) Property, Plant & Equipment as at 30th June 2021

	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2020	8,823,442	106,118,779	6,873,949	24,374,915	3,969,803	15,912,859	81,537,928	12,241	247,623,915
Additions	-	11,800,000	-	5,764,604	-	(198,000)	2,436,921	-	19,803,525
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2021	8,823,442	117,918,779	6,873,949	30,139,519	3,969,803	15,714,859	83,974,849	12,241	267,427,440
<b>Depreciation</b>									
As at 1st July 2020	5,361,653	31,030,094	4,788,889	20,922,129	495,587	11,171,300	55,824,300	11,507	129,605,459
Charge for the year	408,773	19,004,006	246,207	1,872,143	85,867	559,890	3,076,334	164	25,253,384
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2021	5,770,426	50,034,100	5,035,096	22,794,272	581,454	11,731,191	58,900,634	11,671	154,858,843
<b>Net Book Value</b>									
As at 30th June 2021	3,053,016	67,884,679	1,838,853	7,345,247	3,388,349	3,983,669	25,074,215	570	112,568,597
As at 1st July 2020	3,461,789	75,088,685	2,085,060	3,452,786	3,474,216	4,741,559	25,713,628	734	118,018,456

5(a) Property, Plant & Equipment as at 30th June 2020

	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2019	7,268,032	30,118,779	6,726,649	23,664,415	3,969,803	15,519,661	77,161,229	12,241	164,440,808
Additions	1,555,410	76,000,000	147,300	710,500	-	393,198	4,376,699	-	83,183,107
As at 30th June 2020	8,823,442	106,118,779	6,873,949	24,374,915	3,969,803	15,912,859	81,537,928	12,241	247,623,915
<b>Depreciation</b>									
As at 1st July 2019	4,950,697	27,257,659	4,522,350	19,773,319	407,544	10,562,778	52,685,322	11,297	120,170,965
Charge for the year	410,956	3,772,435	266,539	1,148,810	88,043	608,523	3,138,978	211	9,434,495
As at 30th June 2020	5,361,653	31,030,094	4,788,889	20,922,129	495,587	11,171,300	55,824,300	11,507	129,605,459
<b>Net Book Value</b>									
As at 30th June 2020	3,461,789	75,088,685	2,085,060	3,452,786	3,474,216	4,741,559	25,713,628	734	118,018,456
As at 1st July 2019	2,317,335	2,861,120	2,204,299	3,891,096	3,562,259	4,956,883	24,475,907	945	44,269,844

The Company uses assets inherited from Coast Water Works Development Agency for which administration fees approved by the Regulator, Water Services Regulatory Board (WASREB) and incorporated in the approved water tariff is payable to it (WASREB). This administration fee is recognised in the income statement.

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Notes to Financial Statements (Cont'd)

**5(b) INTANGIBLE ASSETS**

	Computer Software	Total
Cost	Kshs	Kshs
As at 1st July 2020	27,194,641	27,194,641
Additions	6,849,930	6,849,930
Disposals	-	-
As at 30th June 2021	<u>34,044,571</u>	<u>34,044,571</u>
<b>AMORTISATION</b>		
As at 1st July 2020	24,738,487	24,738,487
Disposals	-	-
Charge for the year	1,302,782	1,302,782
As at 30th June 2021	<u>26,041,269</u>	<u>26,041,269</u>
<b>Net Book Value</b>		
As at 30th June 2021	<u>8,003,301</u>	<u>8,003,301</u>
As at 1st July 2020	<u>2,456,154</u>	<u>2,456,154</u>

	Computer Software	Total
Cost	Kshs	Kshs
As at 1st July 2019	27,194,641	27,194,641
Additions	-	-
Disposals	-	-
As at 30th June 2020	<u>27,194,641</u>	<u>27,194,641</u>
<b>AMORTISATION</b>		
As at 1st July 2019	23,866,512	23,866,512
Disposals	-	-
Charge for the year	871,975	871,975
As at 30th June 2020	<u>24,738,487</u>	<u>24,738,487</u>
<b>Net Book Value</b>		
As at 30th June 2020	<u>2,456,154</u>	<u>2,456,154</u>
As at 1st July 2019	<u>3,328,129</u>	<u>3,328,129</u>

**Notes for financial statements (Cont'd)**

**6 Work in Progress Plant & Machinery - WSDP Project**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Works	217,337,324	217,337,324
Consultancy services	20,091,769	
	<u>237,429,093</u>	<u>217,337,324</u>

**7 Cash and cash Equivalent**

For the purpose of the cash flow statement,  
 cash and cash equivalent comprise the following:

Cash at Bank	178,810,108	24,833,176
Cash in hand	-	-
Posta Pay	4,493,344	5,866,494
Mpesa	211,736	6,247,722
Airtel Money	563,391	59,714
Cash and cash equivalent	<u>184,078,579</u>	<u>37,007,106</u>

**8 Amount due from shareholders**

<u>5,000,240</u>	<u>5,000,240</u>
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**9 Trade and other Receivables**

Water Debtors	907,409,222	904,490,072
Prepayments	41,434,574	50,591,229
Escrow account-WASREB performance guarantee at HFC bank	5,500,000	0
Provision for Bad Debts	(838,049,828)	(769,874,795)
VAT	51,861,040	51,861,040
Prepaid Salary-advance	2,597,949	1,475,471
Deposit & Sundries	0	500,000
	<u>170,752,957</u>	<u>239,043,018</u>

**10 Non-Current Liabilities**

WSDP Loan	475,806,074	247,584,920
Service Gratuity Payable	9,956,247	10,574,813
	<u>485,762,321</u>	<u>258,159,733</u>

**11 Trade and other payables**

Trade Payables	1,357,109,880	1,443,346,267
Bank	0	0
Receipts Refundable	0	27,000,088
General provision	202,021,245	218,726,082
Audit Fees (provision)	3,575,988	2,825,988
Customer Deposits	95,115,531	91,978,430
Grant-WSDP RAP Compensation	30,000,000	-
WSTF Grant	0	8,579
Other Payables ( Payroll Payables)	129,083,176	146,728,684
MCM - Bin/Refuse	2,523,393	2,523,393
	<u>1,819,429,214</u>	<u>1,933,137,511</u>

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<i>Notes to Financial Statements (Cont'd)</i>		
	2021	2020
	Kshs	Kshs
<b>12 Revenues</b>		
Water Sales	629,204,556	600,460,067
Sewerage Sales	<u>149,312,813</u>	<u>151,379,514</u>
	<u>778,517,369</u>	<u>751,839,581</u>
<b>13 Cost of sales:</b>		
Purchase of Bulk Water	<u>249,909,500</u>	<u>244,005,660</u>
	<u>249,909,500</u>	<u>244,005,660</u>
<p>This comprises bulky water purchases from Coast Water Works Development Agency at a cost of Kshs 20 per cubic meter. No rebates have been granted for unaccounted water. Charges are based on actual sales by the Company.</p>		
<b>14 Other Incomes</b>		
Grant - WSTF CLSG	71,894,175	0
Commission on employees' insurance premiums	188,760	184,006
Interest income	<u>268,087</u>	<u>47,181</u>
	<u>72,351,022</u>	<u>231,186</u>
<b>15 Operation and Maintenance</b>		
O&M WSDP Project	15,700,991	4,839,003
Electricity , Offices and Kipevu Plant	3,694,583	4,014,885
Maintenance of water supply	28,868,036	24,691,318
Maintenance - Sewerage	3,843,098	7,881,670
Repair and Maintenance of Equipment	3,614,392	811,221
Repair and Maintenance - Buildings	1,409,925	1,638,724
Security & Surveillance	17,852,827	17,931,259
Laboratory Expenses	<u>619,722</u>	<u>278,750</u>
	<u>75,603,574</u>	<u>62,086,829</u>
<b>16 Administration expenses:</b>		
Internet Connection	8,756,393	8,374,213
Telephone Expenses	5,366,626	4,625,500
Licences	3,854,765	2,370,016
Bank Charges	744,195	722,885
Withheld Interest Expense	86,483	7,077
Administration fees	0	34,042,254
Levy Fees - WASREB	30,883,944	29,748,242
Cleaning Costs	2,425,279	2,257,140
Newspapers & Periodicals	43,440	182,450
Subscription fees	882,150	378,620
Printing & Stationery	2,387,929	2,765,112
Courier Expenses	<u>16,950</u>	<u>19,649</u>
	<u>55,448,155</u>	<u>85,493,158</u>

Notes to Financial Statements (Cont'd)

	2021 Kshs	2020 Kshs
<b>17 Staff Costs</b>		
Acting Allowance	290,213	2,179,175
Basic Salaries	184,512,234	175,304,345
Leave Allowance	5,387,965	9,449,544
Entertainment Allowance	480,000	480,000
Casual Wages	1,165,591	3,143,097
Pension - Employers Contribution	26,775,606	25,269,616
House Allowances	70,612,000	70,645,000
Uniform and Protective Clothing	737,275	2,088,485
Staff Welfare Expenses	7,572,386	9,884,283
Workmen Compensation Insurance	355,031	453,027
Medical Expenses	50,528,585	23,573,179
Supervisory Allowance	210,000	216,000
Meter reading allowance	1,469,500	1,575,000
Training	1,752,847	4,961,226
Retirement Token	4,129,370	4,237,694
Gratuity	2,801,809	2,923,001
Extraneous duties allowance	9,106,637	5,567,225
Commute Allowance	27,310,000	27,360,000
Group Life Insurance	1,991,598	1,692,606
Daily Subsistence Allowance	2,710,962	6,288,822
Insurance - General	1,173,828	1,016,759
Sports Expenses	-	6,293,195
	401,073,437	384,601,278
<b>18 Legal and Professional</b>		
Audit Fees	750,000	750,000
Contracted Professional Services	6,659,230	585,000
Legal Costs	7,612,300	9,378,752
	15,021,530	10,713,752
<b>19 Transport &amp; Travelling</b>		
Fuels & Oils	12,621,606	10,187,570
Tyres & Tubes	599,709	537,687
Insurance - Motor Vehicle	2,138,582	1,707,403
Air Travel	990,130	3,021,483
Repair & Maintenance Motor Vehicle	13,773,574	7,926,705
Bus Fares , Taxi	780,872	2,009,470
Parking fees, Tolls	122,366	125,428
	31,026,839	25,515,746
<b>20 Directors Expenses</b>		
Daily subsistence allowance (perdiem)	126,900	426,160
Travelling	-	55,640
Sitting Allowances	1,512,300	1,595,000
Lunches	4,200	200,000
Personal Assistant Allowance	0	0
Honorarium	960,000	960,000
Training	100,000	382,000
Company Secretary Services	2,348,000	-
	5,051,400	3,618,800
<b>21 Advertising &amp; Publicity</b>		
Newspaper/Radio/TV Advertisement	1,126,522	77,527
Other advertising expenses/CSR	687,900	260,388
Show Expenses	0	1,830,102
	1,814,422	2,168,018

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Notes to Financial Statements (Cont'd)

	2021 Kshs	2020 Kshs
<b>22 Other Operating Expenses</b>		
Depreciation	26,556,166	10,306,470
Bad Debts	68,175,034	43,434,706
Fines and Penalties	80,332	674,755
Bad debts written off	-	-
	<u>94,811,531</u>	<u>54,415,931</u>
<b>23 Operating Loss</b>		
The following items have been charged in arriving at operating profit:-		
Staff Costs ( Note 17 above)	401,073,437	384,601,278
<b>24 Business Segments</b>		
The major part the Company falls under the category of provision of quality and sufficient water and sewerage services.		
<b>25 Country of Incorporation</b>		
Mombasa Water Supply & Sanitation Company is incorporated in Kenya under the Companies Act. The Company is domiciled in Kenya		
<b>26 Related Party Transactions</b>		
Mombasa Water Company is lincensed by Water Services Regulatory Authority to distribute water and offer sanitation services to the residents of Mombasa County in line with the Service Provision Agreement (SPA). During the year, the company procured 12,495,475M <sup>3</sup> of bulk water from CWSB at a total of Kshs.249,909,500 for the year under review.		
The overall Water Sector regulator is Water Services Regulatory Board (WASREB) that charged the company a total of Kshs. 30,883,944 in regulatory levies.		