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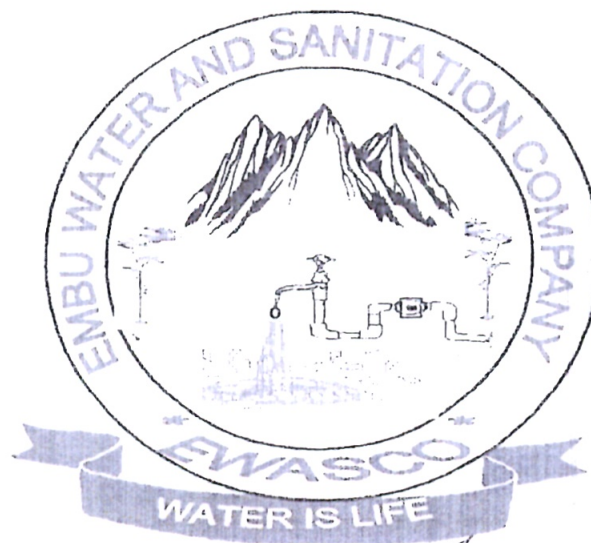
THE AUDITOR-GENERAL

ON

**EMBU WATER AND SANITATION
COMPANY LIMITED**

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

PAPERS LAID	
DATE	25/10/2022
TABLED BY	Sen. Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Ms. M. Adjibadon



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**EMBU WATER AND SANITATION COMPANY
REPORTS AND FINANCIAL STATEMENTS**

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Table of Contents	Page
I. KEY ENTITY INFORMATION	2
II THE BOARD OF DIRECTORS	5
III MANAGEMENT TEAM	8
IV CHAIRMAN'S STATEMENT FOR THE YEAR ENDED JUNE 30, 2021	10
V REPORT OF THE MANAGING DIRECTOR FOR THE YEAR ENDED 30 JUNE 2021	11
VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021	13
VII. CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED JUNE 30 2021.....	18
VIII. MANAGEMENT DISCUSSION AND ANALYSIS	23
IX ENVIRONMENTAL & SUSTAINABILITY REPORTING THE YEAR ENDED JUNE 30 2021	24
X. REPORT OF THE DIRECTORS	28
XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES	29
XII REPORT OF THE INDEPENDENT AUDITORS ON EMBU WATER & SANITATION COMPANY LTD.....	30
XIII STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30 2021..	31
XIV STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021.....	32
XV STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021.....	33
XVI STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2021.....	34
XVII STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE PERIOD ENDED 30 JUNE 2021.....	35
XVIII NOTES TO THE FINANCIAL STATEMENTS.....	37
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS.....	55
APPENDIX 2: PROJECTS IMPLEMENTED BY EMBU WATER & SANITATION COMPANY LTD.....	56

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

I. KEY ENTITY INFORMATION

BACKGROUND INFORMATION

The company was established by the company's Act 486 and fully owned by Embu County Government. The Company is domiciled in Kenya, Embu County with its head office at Embu Water and satellite offices at Kanyuambora, Ena/ Kithimu, Gachoka, and Kiritiri.

Principal Activities

The principal activities of the company are the provision of water and sanitation services within Embu County.

The Vision of the company

Safe water and sanitation services to the satisfaction of our customers.

The Mission of the Company

To provide quality, adequate, affordable and sustainable water and sanitation services through eco-friendly technologies

Core Functions

The core functions of EWASCO are:

1. Development of water supply infrastructure
2. Development of sewerage infrastructure
3. Operation and rehabilitation/maintenance of the water and sewerage infrastructure;
4. Sourcing, treatment, transmission and distribution of water;
5. Waste Water collection, conveyance and treatment; and
6. Financial and operations management (billing, revenue collection, human resource, ICT and efficient application of financial resources).

Directors

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

S/N	Name	Designation	Description
1	Dr Johannes Njagi Njoka	Chairman	Appointed on 26 th February 2021
2	Dr Winnie Gacugu Njeru	Director	Appointed on 26 th February 2021
3	Rev. Mercy Muringo Njagi	Director	Appointed on 26 th February 2021
4	CPA Edwin Mukundi Njururi	Director	Appointed on 26 th February 2021
5	CPA Damiano Muthee	Director	Appointed on 28 th June 2021
6	Mr James Mubothi	Director	Appointed on 20 th January 2020
7	Mr Vimal Chadha	Director	Appointed on 20 th January 2020
8	Bishop. Samuel Nginye	Director	Appointed on 20 th January 2020
9	Eng. Richard Mbogo	Director	Appointed on 1 st July 2020
10	Mr. Joel Julius Ngatiari	Chairman	Retired on 23 rd December 2020
11	Hellen M Barine	Director	Retired on 23 rd December 2020
12	Jane Elizabeth Gitiri Waroga	Director	Retired on 23 rd December 2020
13	Mary Igoki Kavinda	Director	Retired on 23 rd December 2020
14	Ruth Ndirangu	Director	Retired on 28 th June 2021
15	Eng. Felix N. Mutuura	Managing Director	Appointed 29 th July 2020

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Corporate Secretary

Mr. Gikuhi Kiana
P.O. Box 1271-10100
NYERI, KENYA

Registered Office

EWASCO BUILDING,
Off Embu-Meru Road,
P.O. Box 2142,
EMBU. KENYA.

Corporate Headquarters

EWASCO BUILDING,
Off Embu-Meru Road,
P.O. Box 2142,
EMBU. KENYA

Corporate Contacts

Telephone: 068-31156
E-mail: info@embuwater.co.ke
Website: www.embuwater.co.ke

Corporate Bankers

1. Cooperative Bank of Kenya
P.O. Box 1337 -60100
EMBU, KENYA
2. Equity Bank
P.O Box 1994-60100
EMBU, KENYA
3. Post Bank
EMBU
4. Kenya Commercial Bank
P.O Box 75-60100
EMBU, KENYA

Independent Auditors

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

Principal Legal Advisers

Njeru Ithiga Advocates
P.O Box 1768-60100

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Embu

Ahmednassir, Abdi Qadir Advocates
Nairobi

Kabathi and Company Advocates
Peal Centre
Embu

Rugaita and company advocates
Embu

EMBU WATER AND SANITATION COMPANY**Annual Reports and Financial Statements****For the year ended June 30, 2021****II THE BOARD OF DIRECTORS**

PHOTO	NAME AND DESIGNATION
	Dr Johannes Njagi Njoka Chairman, Board of Directors Date of Birth: 1964 Qualification • PhD Medical Education • M. Phil Educational Psychology (2001) • B. Ed Arts (2011) Experience Over 25 years in various management roles in Kenya as Lecturer, Dean of Students, Head of Department and Dean of the School of Education at Karatina University
	Dr Winnie Gacugu Njeru Director and Chair Finance & Administration Committee Date of Birth: 1968 Qualifications • PhD Business Administration (1990) • MBA (2007) • BSc. Business Administration Experience With extensive experience as a lecturer with University of Nairobi and also consultancy field
	CPA Edwin Mukundi Njururi Director & Chair Audit & Risk Committee Date of Birth: 1968 Qualifications: • MSc. Management and Organizational Development • BSc. International Business Administration • Finance and Administration Professional Practitioner Experience With extensive experience in employment and also as a practicing finance and administration profession
	Vimal Chadha Director and Chair, Internal Audit, Risk and compliance committee Date of Birth: 1962 Qualifications 1. Diploma in Optometry 2. Contact lens practitioners Experience 31 years as an optician practice in Kenya

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

	Mr. James Mubothi Director and member Finance and Strategy Committee Date of Birth: 1965. <u>Qualification</u> 1. Bachelor of Arts - Economics and Sociology 2. Post graduate Dip in Education 3. Diploma in Education management 4. CPA 1 <u>Experience</u> Over 26 years working with Teacher Service Commission as Head of Department, Deputy Principal and Principal
	Rev. Mercy Muringo Njagi Director and Member, Technical Committee Date of Birth: 1984 <u>Qualification</u> • Bachelor of Divinity • Diploma in Theology <u>Experience</u> With wide experience as a clergy with Anglican Church of Kenya
	Rt. Rev. Bishop Samuel Nginye Director and Member Audit Risk & Compliance committee Date of Birth: 1964 <u>Qualifications</u> • Honorary Degree of Church Leadership • Bachelor of Bible Theology • Certificate in African Missionary training Course <u>Experience</u> 30 years of experience as an ordained Minister with Redeemed Gospel church.
	CPA Damiano Muthee County Chief Officer, Finance Director and Member of Chair Audit & Risk Committee Date of Birth: 1974 <u>Qualification:</u> • Certified Public Accountant of Kenya • Certified Public Secretary of Kenya <u>Experience</u> With extensive experience as an accountant, and over 9 years with County Government of Embu holding various portfolios as Chief office of Finance & Planning

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021



Eng. Richard Mbogo

County Chief Officer, Water and Sanitation
Director and Member of Technical committee

Date of Birth: 1958

Qualification:

- Bachelor of Agriculture Engineering

Experience

With extensive experience in water sector, and over 9 years with County Government of Embu holding various portfolios as Chief office of Wate and irrigation



Eng. Felix G. N. Mutuura

Managing Director

Date of Birth: 1977

Qualifications

1. Master of Science in Water Engineering
2. Bachelor of Technology in Civil and structural Engineering
3. Post graduate Dip. In Project Appraisal and Management.
4. Registered Engineer a member of the Institution of Engineers of Kenya and certified master Project Manager

Experience

Over 17 years in the Water sector, having worked with Nairobi City Water and Sewerage Company, Tana Water Services Board and Kenya Water Security and Climate Resilience Project under Ministry of Water and Irrigation.



FCS Richard K. Gikui

Managing Partner

Gikui Kiana & Company / Company Secretaries

A Certified Public Secretaries of Kenya (CPSK), membership NO 285 as required by Mwongozo Code

Experience:

With over 30 years practicing as a Company Secretary with bias in water companies

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

III MANAGEMENT TEAM

	Position
	Eng. Felix G. Mutuura Managing Director Qualifications 1. Master of Science in Water Engineering 2. Bachelor of Technology in Civil and structural Engineering 3. Post graduate Dip. In Project Appraisal and Management. 4. Registered Engineer a member of the Institution of Engineers of Kenya 5. Certified master Project Manager Experience: Over 17 years in the Water sector, having worked with Nairobi City Water and Sewerage Company, Tana Water Services Board and Kenya Water Security and Climate Resilience Project under Ministry of Water and Irrigation.
	CPA Doris Njiru Head of Finance & Commercial Services Qualifications 1. Master of Business Administration in Strategic Management 2. Bachelor of Commerce in Finance & Banking 3. Certified Public Accountant of Kenya - M/No. 8120 4. Certified Public Secretary of Kenya 5. Registered member of the Institute of Certified Public Accountants of Kenya in good standing Experience: Over 22 years in both NGO & Public institution. Over 13 years in management which includes 7 years in EWASCO
	Eng. Joshua Oria Qualification 1. Bachelor of Technology in Civil & Structural Engineering 2. Masters of Science in Urban Water & Sanitation specializing in water supply engineering 3. Registered Engineer a member of the Institution of Engineers of Kenya Experience: Over 17 years out of which 14 years is in water sector

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

	CPA Dickson Kinyua Njiru Head of Audit Risk & Compliance Qualifications 1. Master of Science in Finance and Accounting 2. Bachelor BA in Finance and Accounting 3. Certified Public Accountant of Kenya 4. Registered member of the Institute of Certified Public Accountants of Kenya in good standing Experience: Over 20 years' experience in both private and public sector which includes 14 years in Water Services industry
	Pauline Njeru Ag. Head of Corporate Services Qualification: 1. Master of Business Administration in Corporate Management 2. Bachelors Human resource 3. Higher National Diploma in Human Resource 4. Registered member with Institute of Human Resource Management (IHRM) Experience: Over 9 years in EWASCO working in HR Office, Administration & Logistics and as acting head of corporate Services
	FCS Richard K. Gikuihi Managing Partner Gikuihi Kiana & Company / Company Secretaries A Certified Public Secretaries of Kenya (CPSK), membership NO 285 Experience: With over 30 years practicing as a Company Secretary with bias in water companies

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

IV CHAIRMAN'S STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

On behalf of the Board of Directors, I present the year 2020/2021 report which outlines the Company's financial and operational performance. The Company continued to maintain a strong performance while providing high quality water and sewerage services to the people within the mandated coverage area which is approximately 975 km².

Shareholding

The Company is 100% owned by Embu County Government.

Board of Directors.

EWASCO Board is made up of nine directors, two from the County Government and seven distributed among the sub-County of Embu making a total of Nine and the Managing Director. The Managing Director serves as the secretary to the Board.

Overview on Performance

The company has continued to expand the services in an effort to reach more customers in our coverage as laid in our five-year Strategic Plan (2017 - 2021). The Company received a loan of Kshs. 451M from Cooperative Bank to finance sewerage project.

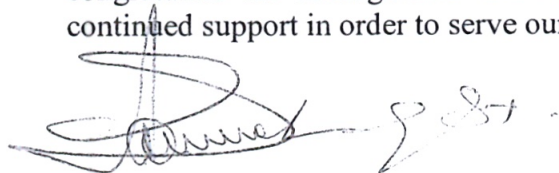
During the year the board held various meetings which met the threshold of the required minimum of quarterly meetings. The board played the oversight and policy making roles. Therefore, the company business executed with due diligent and always ensuring the interests of the shareholder are taken care of. The interests of the stakeholders were taken very seriously. The company held various stakeholder forums, one on tariff review and a general one in order to inform and receive feedback on our operations and the final one on validation of the strategic plan for the period 2021-2026 in compliance with the Constitution and the law. Based on a review of the Company's Strategic Plan 2017 - 2021, the company has achieved 88% of our development targets.

Financial Performance

During the year under review, the company reported a total income of Kshs. 721.5 million which is an increase from the previous year total of Kshs. 364.9 million. The income for the year includes income from grant and donation amounting to Kes 312.6 million compared to previous year donation amounting to Kes 26.8Million. Through the grant from World bank subsidy received for completion of the project the company was able to reduce the OBA loan from Kes 363.5million to Kes 59.2 Million in the current period. Further the company however continued to extend its infrastructure to meet the unmet need of customers within coverage area. I wish to confirm that the Company is sustainable and has a high probability to continue as a going concern for a long time to come; provided that the good operating climate is maintained.

In Conclusion

As the chairman of the board, I wish to confirm the board's commitment in directing the company to achieve its objectives. I wish to congratulate each board member for their continued support and congratulate the management and the entire staff on their commitment and dedication. I pray for continued support in order to serve our company, and together, we will serve our community better.



Rt. Rev Dr. Samuel N. Nginyi
INTERIM CHAIRMAN, BOARD OF DIRECTORS

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

V REPORT OF THE MANAGING DIRECTOR FOR THE YEAR ENDED 30 JUNE 2021

1.0 INTRODUCTION

EWASCO is a result of Water Act 2002 which was a culmination of the agitation for the need to reform water services with a view to improving service delivery. The Company became operational in JULY 2005. Its shareholding through transmission from defunct Municipal Council is now 100% held by Embu County Government for the people of Embu. The People are represented in this Forum by the appointed stakeholders' representatives in the board of directors.

2.0 PERFORMANCE REPORT

EWASCO, s Performance is reported briefly under Sub-titles: Water Supply Coverage, Sewerage Services Coverage, and Financial Performance since the Company's inception. Also reported are Projects undertaken, being undertaken and proposed.

2.1 WATER SUPPLY COVERAGE

The water supply coverage has improved to 950 km², while the mandated area has increased from 80km² to 1200 km² through Public Demand. The population served has increased to about 165,000 by March 2017. The improvements in coverage have been funded by Community, Bank Loans, WSTF, CDF, TWWDA, GOK, KWS, KENGEN, World Bank grant, EWASCO and by grant in Aid by JICA.

2.2 SEWERAGE COVERAGE

The company has for long operated with sewer plant (old plant) which was designed in the late 70's that could not be further expanded due to geographical limitations and space availability. However, the treatment achieved meets the standards set by NEMA and WHO at the point of effluent discharge into Rupingazi River. The old sewer covered some parts of town, Provincial General Hospital (PGH), the entire Kaunda Estate and the areas neighbouring EWASCO offices, Kangaru School and the Kenya school of Government.

A second sewer treatment plant which started during the financial year 2018/2019 was completed by December 2020 and became operational. This was realized through Commercial loan offered by Co-operative bank with help of WSTF under OBA sponsored by World Bank. The areas served by the new sewer plant are sewerage extension are Dallas, Blue Valley, Kanjuru and part of Majimbo estates.

2.3 FINANCIAL PERFORMANCE

The Financial growth rate has improved with implementation of reviewed tariff; however, this has not had significant impact in the year under review. The reason for this is:

- Tariff was approved on 24th October 2019 and implemented in November 2019✓
- Covid 19 impacted on businesses especially at the onset when schools were closed for almost a year and hospitality business largely affected most on the first 6 months which resulted to decline in water consumption.
- Water supply network has not been substantially increased due to scarce resources.

It is to be noted that costs have continued to grow at a higher rate than income. To reverse the trend, more supply areas need to be brought on board and tariff revised to sustain the rising costs.

2.4 OPERATING CAPACITY

The operating capacity of the Company has continued to be enhanced. Appropriate and advanced IT software / hardware are being continuously updated; better operating accounting and billing software have been installed; GIS and wide network coverage are in use. In the year under review, we rolled out meter reading using smart phones technology which improved better monitor the meter readers and their work ensuring more accurate and timely billing data. Transport is being improved; we have twelve vehicles and fifty motor-cycles. Staff have been trained to ensure a skilled work force and increased productivity.

3.0 CHALLENGES

Water Resources

- Limited financial resources for development.
- Declining capacity for water resources: climate change and destruction of wetlands continue to be a major challenge

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

- Inadequate hydrological data and studies on water resources to support planning.
- No master plans for water resources conservations and water use.
- Water use demands are quickly exceeding the dry weather water flows. There are no solid plans to mitigate the matter.
- Huge accumulation of unpaid debts by the Government institutions which lead to cashflow constraints
- Less water Consumed by large business, hotels and institutions due to covid 19 pandemic.

Sewage

Only about 30% of eligible population is provided with sewerage services; water related diseases remain a risk, this negates health gains realized from improved water supply.

Water Supply Pipe network

- No money to fund proposed 700,000m of various pipe lines to serve areas not served.
- EWASCO's maximum water production capacity is limited to 28,000m³/day. At times production is hitting 24,000m³/day and area of supply continues to increase to grow without corresponding measures being put in place to ensure continued sufficiency of water.
- Miraa irrigation and illegal connections are a matter of concern as they reduce available water for domestic
- Water assets ownership such as the office building, old sewerage plant, Kangaru storage tanks are yet to be determined and this is a challenge to accounting and borrowing leverage
- Encroachment of our supply area by other water providers especially Njukiiri and Kangaru hence customers shifting from our supply living huge unpaid debts.

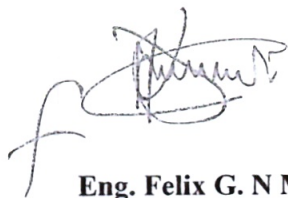
Policy - No policy on the linkages of management of domestic and irrigation water supply.

-Non-completion of rebilled water act is creating uncertainty in the water sector.

4.0 THE WAY FORWARD

The future of the Company seems excellent assuming that the dynamism in the operating environment is sustained or is improved. The Company could grow to provide water and sanitation services to the entire County. And in EWASCO's Strategic Plan the possibility is apparent. The key areas that the Strategic Plan focuses on include: -

- Improvement of operational efficiency and effectiveness through capacity improvements.
- Implement a sanitation programme including improvement of sewerage coverage in high density residential areas.
- Improving of water supply reliability through construction of at least 5,000,000 m³ dam.
- Diversify Company activities and revenue to include Trading Operations such as commercial electricity generation.



Eng. Felix G. N Mutuura
MANAGING DIRECTOR

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 164(2) (f) of PFM Act 2012 requires the accounting officer to include in the financial statement, a statement of the company's performance against predetermined objectives.

EWASCO has 7 strategic pillars and objectives within its Strategic Plan for the FY 2017/2018- 2021/2022. These strategic pillars are as follows:

Pillar 1: Water and Sewerage Infrastructure

Pillar 2: Non-Revenue Water

Pillar 3: Operational Efficiency

Pillar 4: Customer Service

Pillar 5: Financial Sustainability

Pillar 6: Human Resource Management

Pillar 7: Corporate Image and Governance

EWASCO develops its annual work plans based on the above Seven pillars. An 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 strategic period for its 7 strategic pillars, as indicated in the below:

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

PILLAR	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
1. Water and Sewerage Infrastructure	To increase water coverage area from 59% in 2017 to 80% by 2022	• Feasibility study report on the identified locations • Presentations to the County Government • Amount of funds secured • 5,000,000 m3 capacity dam in place	• Construction of a 5,000,000m³ capacity dam to enhance water supply sustainability • Construction of treatment works in Mukangu and Kanyuambora areas • Expansion of the water distribution network	• Completion of design and bid documents of Mukangu water treatment works. • Completion of distribution pipelines for Kithimu and Kamunyange- Kamwimbi, Mutunduri – Gatunduri, Kiandundu – Kianamu and Ciany area
	To increase sewerage coverage within the town from 30% in 2017 to 50% by 2022	• Project designs and bid documents • Amount of funds secured • Additional treatment plant • Project designs and bid documents • Amount of funds secured through loan/ internally generated • Treatment works completed	• Construction of a sewerage treatment plant • Extension of existing sewer infrastructure	• New sewerage treatment • More customers were connected to new sewerage system
2: Non-Revenue Water	To reduce the non-revenue water from 43% in 2017 to 20% by 2022	• Rehabilitated pipeline • Clear DMAs and zonal boundaries • Pressure Maps /Designs in place • No. of PRVs / BPTs installed • No. of bulk meters installed	• Rehabilitation and relocation of water distribution network • Pressure management • Meter Replacement /Servicing • Billing data clean up • Enhance community involvement	• Completion of rehabilitation works in Kangaru area • Adjustment of DMA boundaries and establishment of DMAs and Zones • Finalised pressure mapping and design • Survey of un-metered/

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

				malfunctioning meters commenced and is ongoing
3. Operational Efficiency	To reduce operational costs to total revenue ratio from 97% in 2017 to 80% by 2022	• Non-value adding activities eliminated • Manuals/policies in place for all EWASCO's key functions • Number of operations automated	• Streamlining business processes • Eliminate bottlenecks in handling customer fittings	• Completed prequalification of suppliers to ensure supply of quality pipes and fittings • Sensitised customers on the need for quality materials and the prequalified suppliers.
4. Customer Service	To increase customer satisfaction from 74% in 2017 to 85% in 2022	• Timely customer service delivery • Prompt handling of customer issues • Increased customer satisfaction	• Enhance customer relationship management • Maintain a 24 hour water supply	• Training staff on customer service management • Commenced implementation of staff-on-call on a 24-hour basis for maintenance staff with adequate logistical resources e.g., transport
5. Financial Sustainability	To increase revenue from Kshs. 286 million in 2017 to Kshs. 400 million by 2022	• Socio-economic study report • Tariff review report • WASREB's feedback • Stakeholder feedback • Reviewed water tariff	• Implement the reviewed water tariff • Increase the number of water and sewer connections • Construction of Water Bottling Plant • Build an office complex and lease extra space	• Reviewed tariff in place and implemented • New customers were connected to water and sewer systems
	To improve collection efficiency from 85% in 2017 to 95% by 2022	• Timely and accurate bills • Improved debt recovery	• Maintain a regular billing cycle • Enhance Debt Management • Implement one customer account management policy	• Rolled out smart meter reading and billing system which is ongoing • Follow up of debts owed by Government institutions commenced

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

			Efficient debt resolution mechanism	- and is ongoing - Establishment of a debt resolution committee to review and resolve disputed bills
6. Human Resource Management	To attract and retain skilled and productive staff	- Approved organizational structure in place - Projected staff requirements - Optimal staff complement in place - TNA report - Training program/plan in place - No. of staff trained - Mentorship program in place - No. of employees mentored - Revised PMS - No. of employees trained - Appraisal reports - No. of employees rewarded or sanctioned	- Align staff establishment with business level - Staff capacity building - Enhance performance management - Provide a conducive working environment - Organisational culture change - Enhance innovation and knowledge management - Improve staff motivation	- Capacity building and training of staff undertaken every year - Provision of requisite office equipment and working tools undertaken and continuous as need arise - Sensitization of staff on safety and health issues - Occupational safety and health audit was undertaken and implementation of recommendations is ongoing - Carried out of employee satisfaction and work environment surveys in 2016 and implementation of recommendations is ongoing
	To promote a positive corporate image	- Brand communication strategy in place - No. of brand awareness activities undertaken	- Enhance corporate brand visibility - Enhance Corporate Social Responsibility (CSR) - Acquire ISO Certification	Company's website redesigning and kept up to date

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

7. Corporate Image and Governance	To enhance good corporate governance	• Branded assets • Up to date and interactive website • Reviewed CSR Policy • Schedule of CSR activities • CSR	• Adherence to good corporate governance practices • Strengthen enterprise risk management (ERM) • Enhance internal controls	• Mwongozo guidelines were implemented and are now adhered to • The Board and Management were trained on corporate governance • Departmental annual work plans and budgets were prepared • Procurement plans were developed and their periodic evaluation is done Internal controls evaluation recommendations were implemented
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EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

VII. CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED JUNE 30 2021

The corporate governance structure ensures that we act with high standards of corporate behaviour and in the best interests of our stakeholder. The Board of Directors has the authority to perform the functions and determine the policies that control the trust activities.

The Board is responsible for the overall corporate governance and approves strategic directions and budgets. On the other hand, the management ensures that all statutory requirements are complied with, internal control systems are in place and operate effectively; in addition, ensure board decisions are fully implemented.

The structure of the Board is as per the corporate governance guidelines issued by the Water Services Regulatory Board.

- The Board of Directors comprises 9 members nominated by respective stakeholder institutions.
- The Managing Director sits in the board as a secretary.
- The Directors are appointed for terms of up to three years and are eligible for re-appointment for another final term of three years.
- The Directors have broad range of skills and experience.
- The Board has three committees namely; Technical committee, Finance & Administration Committee and Audit Risk and Compliance Committee.
- Any issue(s) outside the above committees may be handled by specially constituted ad hoc committee, made by a resolution of the Board of Directors including its membership.
- The Board, in consultation with management, develops strategic direction for the annual and long-term period.
- The board also prepares for the Annual General Meeting and determines the agendas in which annual audited accounts are presented.

At its regular meetings, the Board considerations include:

- Technical and financial progress quarterly reports.
- Audit reviews and quarterly reports.

The Board held induction training for all the Directors, one training on governance and strategic plan workshop.

Composition of the Board of Directors

The Board is chaired by Dr Johannes Njoka who chairs the board meetings giving direction during board meetings.

Technical Committee

The Committee is chaired by Director Vimal Chadha, and includes Director Rev. Mercy Njagi and Eng. Richard Mbogo. The committee secretary is the Head of Technical Services. Each member of the Committee has a general familiarity with the technical aspects of the water and sanitation industry necessary to undertake the committee's responsibilities to oversee the company's technical activities. The committee advises the Board of Directors on technical matters involving the Company's internal and external projects. It assists the Board of Directors in monitoring and reviewing any project(s) development and major asset acquisition. The committee reviews and makes recommendations to the Board of Directors on matters relating to the infrastructure assets of the Company, including building master plans, capital project plans and so on.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Finance & Administration Committee

The committee is chaired by Director Dr. Winnie Gacugu, and includes Director James Mubothi and Director Vimal Chadha. The Committee Secretary is the Head of Finance and Commercial Services. Each member has experience in management skills necessary for discharge of duties. The committee supports and assists the Board in the effective discharge of the Board's responsibilities in finance, corporate affairs such as human resource, information and communication and administration. The committee receives and reviews reports on the financial performance, annual budget, changes to the water tariff and staff matters. The committee ensures that adequate plans, policies and programmes are in place to promote the effectiveness, integrity and security of the Company information technology systems and their operations.

Audit, Risk & Compliance Committee.

The committee is chaired by Director Edwin Mukundi other members includes Director Rt Rev Bishop Nginye and Director CPA Damiano Muthee. The Committee secretary is the Head of Auditor, Risk and Governance. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the Company's financial reporting principles and policies, controls an procedures and its auditing activities. The audit committee meets and reviews reports from the Internal Auditor and major findings on internal audit and investigations and considers management response or actions thereto.

Committee reports summarizing issues discussed by the respective committee are then tabled to the full board by the respective committee chairs where they are adopted for deliberation and resolutions made accordingly.

During the year the company held two stakeholder forums in which stakeholders one on tariff review where they were briefed about the company and key areas highlighted.

DIRECTOR'S NAME	NO. OF MEETINGS ATTENDED			
	FULL BOD MEETINGS	SPECIAL MEETINGS	COMMITTEE MEETING	TRAININGS / WORKSHOP DAYS
Joel J. Ngatiari	2	13	1	
Mary Kavinda	2	14	5	
James Mubothi	3	17	4	12
Bishop Samuel Nginyi	3	17	2	12
Eng. Richard Mbogo	2	9	0	12
Hellen M. Barine	2	11	0	12
Jane Waroga	2	8	4	
Ruth Ndirangu	2	9	4	
Mary Kigia	2	4	0	
Vimal Chadha	3	20	9	12
Albert Gatuta	1	4	0	
Nicasio Mbiti	1	6	2	
Dr. Johannes Njoka	2	5	0	12

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Dr. Winnie Gacugu	2	5	3	12
Edwin Mukundi	2	5	2	12
Mercy Muringo	2	5	2	12
Damiano Muthee	0	2	0	

Succession Plan

In line with the WASREB corporate governance guidelines, the company through stakeholders has ensured that the board appointments are staggered so that the board members retire in rotation. For instance, four board members retired at the end of the year 2020 and the replacements were recruited in March 2021. The members retired at the end of their tenure. The appointment of the members of the board is done in strict compliance with the regulator's guidelines.

Board Charter- The Company now has a final draft board Charter due for board approval

Appointments of Board Members

Whenever there is a vacancy in the Board, the vacancy will be advertised in a newspaper with national circulation and wide readership. Interested persons shall apply after being nominated by the relevant stakeholders' bodies thereafter he/she be elected during the Annual General Meeting. The directors representing the County Government of Embu shall be nominated by the Executive Committee member in charge of water services. The names of elected directors will be filed with the Registrar of Companies.

Disqualification of Director

Board member will cease to be director if the person:

- Serves the Chairperson with a written notice of resignation or
- Is absent, without the permission of the Chairperson, from three consecutive meetings; or
- Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board.

The Board may also recommend the removal of a member based on non performance, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law. Any removal of a Board member appointed by the County Government shall be through formal revocation. The Managing Director will ensure that a record of the appointment letter and written acceptance by the Board members is kept in the personal file of the Board member.

Independence of Board Members

All Board members, including those nominated by County Government of Embu, shall recognize that they owe their duties to EWASCO and not their nominating stakeholder.

Term Limits

Board members shall hold office for a period not exceeding three (3) years and are eligible for re-election for another term of three (3) years. A Board member may be appointed for a cumulative term not exceeding six (6) years. The renewal of Board Member's tenure for a second term should be subject to an acceptable evaluation as determined during Board evaluations.

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

In determining which directors are to retire at the Annual General Meeting the process shall be guided by provisions of the Memorandum and Articles of Association as amended from time to time.

Resignation from the Board

A Board member may resign at any time by giving notice, in writing, to the Chairperson of the Board and/or the Managing Director of the organization. The resignation shall take effect upon receipt of notice by the Chairperson or at any later time specified therein and unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

Board Induction and Training

The Board will provide new Board members with an effective induction programme in order to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction programme will also provide the Board member with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

The Board will ensure that a competence needs assessment is carried out periodically and an annual development plan prepared to address identified gaps. In this regard, Board members will be provided with access to, or notice of, continuing development programs that are designed to keep members abreast of the latest developments in sector best practice, corporate governance and critical issues relating to the operation of public sector boards.

The Board will satisfy itself that its members are up-to-date with continuous professional development in their respective professional bodies.

Board and Member Performance

The Board will conduct an annual evaluation to appraise its performance. This evaluation will be carried out in accordance with the Board Evaluation Tool. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Board will also review the performance of each committee against the agreed Terms of Reference. The Board will also evaluate the performance of the Managing Director.

Conflict of Interest

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain. Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. Where conflict of interest arise the board member shall be required to declare stating the nature of any actual or potential conflict of interest to the Board. The Managing Director should keep a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals.

Board Remuneration

Board members shall be remunerated for their services are approved by shareholders in the AGM. The approved rates are in line with prevailing relevant legislative provisions and or guidance from the relevant authority. In line with best practice, the remuneration should include sitting and travel allowances. The Directors will be entitled to per diem equivalent to the Managing Director's per diem whenever they are conducting or attending organization's business outside it area of jurisdiction necessitating sleep over.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Governance Audit

The Board should ensure that a governance audit of the organization is undertaken on an annual basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance.

VIII MANAGEMENT DISCUSSION AND ANALYSIS

The development of EWASCO resulted from four critical elements that go alongside its vision, mission and core values. They are anchored in the reviewed Strategic Plan 2021-2026. The critical elements are: Operational performance; financial performance and Investment levels that assist the company to orientate its services towards demand for service improvement towards the poor. The company continues to excel as measured by WASREB performance indicates except for Non-Revenue Water (NRW) that have attracted the attention of all stakeholders (stands at 37%). Stakeholder participation including JICA, consumers and the management are determined to cover the NRW levels to 30% by the year 2021/2022. The key performance areas for EWASCO within the FY2020/2021 included: Operational, Financial and investment projects to enhance financial sustainability and service delivery of both water and sewer services.

Operational Performance

The company performance is reported under water and sewer coverage. Water coverage from 771 km² to 950 km² serving a population of 165,000. The increased performance is attributed to internally generated funds coupled with assistance of development partners such as WSTF, CDF, TWWDA, KENGEN, JICA, World Bank and the government of Kenya.

Additionally, the expansion of sewer coverage through development of an additional sewer treatment plant and sewer line was completed to cover Dallas estate, Blue valley estate, Kanjuru estate and parts of Majimbo estate was achieved through commercial funding of Kes 450million loan supported by World bank. This project was completed in this year 2020/2021 and has connected 6,000 homesteads to sewer line. On meeting the requirement and terms of the loan, the company received subsidy from world bank through WSTF amounting to KES 272 M towards repayment of the loan

Financial Performance

The company continues to do well in terms of revenue collection, at 95%. This shows that revenue collected as a percentage of revenue (Billing) provided for sustainable levels of operating and maintenance cost. The company is financially sustainable as the internally generated funds covered operating and maintenance cost and some investment projects.

Corporate Governance

EWASCO strives to comply with the company's Act, Cap 486, water Act 2002 and 2015; the Kenya institution 2010 and all other laws and guidelines as spelt out by WASREB. The key issues raised by WASREB guidelines include: Public participation in appointment of directors, oversight and supervision rules of the Board, information and control systems checks and balances in operations and compliance to set Water Service Providers (WSP) systems; Financial management to measure compliance with applicable IFRS and IPSAS.

Investment Decisions

The main investment which was on going during the year was sewerage project and it was completed during the year.

Material arrears

During the period under review the company had not settled corporate tax liability brought forward from the previous period however, the management had put in place mechanisms to address tax issues through tax consultant to deal with both VAT refund and tax arrears.

The company also had a long-term financial obligation for commercial loan obtained to finance the Sewerage project., the loan is being serviced.

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

IX ENVIRONMENTAL & SUSTAINABILITY REPORTING THE YEAR ENDED JUNE 30, 2021.

The Company exists to transform lives through provision of water and sanitation services within our area of jurisdiction. This is our purpose; the driving force behind everything we do. It's what guides us to deliver strategy, putting the customer first, delivering water and sanitation services, and improving operational excellence

The Company recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need for company's relationships with customer, suppliers and others and the impact of its operations on the local communities and the surrounding environment where it operates. Customers are highly regarded and valued and their contribution to the Company is highly respected.

i) Sustainability strategy and profile

Access to affordable water and sanitation services is provided for in Section 43 of the Kenya Constitution (2010). The Constitution has made provisions on legislative, policy and implementation framework at national and country levels. Further, Kenya's national development agenda as documented in Vision 2030 recognizes that water and sanitation services are at the core of social economic development.

Embu water and sanitation company, through the Board of Directors, Management, and Staff with the input of our stakeholders have developed the Strategic Plan (2021/2026) to provide a basis for meeting the sustainability of the company. The Strategic Plan acknowledges the challenges and provides us with a road map on the pertinent issues that we need to address towards the achievement of universal access to water and sanitation services within the company's area of service. Our Vision, Mission, Motto and Values are paramount to the achievement of the strategic objectives spelt out in this plan. These will be achieved by embracing the principles of good governance, ensuring the company is financially sustainable, innovation and adoption of new technology for enhanced service delivery. We remain customer focused through the provision of quality products and services to our customers, EWASCO will continue to provide water and sanitation services in an efficient, effective, affordable and sustainable manner.

ii) Environmental Performance

Embu water and sanitation company (EWASCO) limited prides itself as a custodian of the environment and has put in place environmental safeguards aimed at protecting and enhancing its wellbeing. The company operations take into account the impact the products have on the environment. We use several chemicals in water treatment. The treatment processes also generate wastes that have to be managed. After supplying the clean water, the company collects, transports wastewater for safe handling before discharging it into the environment. The company complies with Water Resources Authority and National Environmental Management Act (NEMA) conditions.

The company environmental policy is under development but uses the government's guidelines on the environmental safeguards. For example, all our water treatment facilities have holding tanks for wastewater for further treatment before they are released back to the environment. The chemical handling and storage are handled in line with the manufacturer's directions.

The wastewater exhauster trucks are all licensed by the NEMA and the plants are monitored by the public health and NEMA for compliance with the laid down rules and regulations. The treatment process for both water and wastewater are both quality controlled and assured internally and externally in strict compliance with the regulator requirements at the agreed periods.

In our pursuit of environmental stewardship, we have realized some success and challenges. Among the success, we have realized is the expansion of the wastewater treatment plant capacity and the

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

acquisition of the company-owned exhauster truck. This has increased the number of residents with direct sewer connections and the number served through the exhauster services thus making our environment safer. However, we have also suffered misuse of the sewer services and the poor handling and management of solid waste. Wastewater infrastructure vandalism e.g. theft of Manholes and their cover, solid waste dumping, clogging and encroachment into the wayleaves.

The Company plays a role in the protection of water catchment and has been presented in meetings for Water Resource Users Association (WRUA). Every year the company takes part in tree planting exercises and during the year under review the company took part various in tree planting activities in Kiangombe in partnership with ministry of forestry and also launch of tree planting marathon in Embu. During WASPA, County Government and the Akorino community over 100 trees were planted at the new sewerage plant.

iii) Employee Welfare

The Company recognizes that health, safety and training, play a key in ensuring our employees commitment to responsibility in the workplace and a working environment in which personal and employment rights are upheld. Effective policies and procedures are aligned with Company needs as the promotion of good communication processes, to assist timely and consistent delivery of relevant information to employees.

The Company provides equal opportunity for all employees and job applicants. It has in place policies covering issues such as performance management, training and family friendly policies such as compassionate Leave, benevolent fund, paternity Leave among others. The employees of the Company are involved in various sporting activities and they are active players of various teams which compete locally and nationally.

iv) Market place practices

- a) **Responsible competition practice-** The company is the business of supply treated domestic water and sanitation services which is regulated. The tariff used is approved by the regulator after a process of involving the stake holders and holding a mandatory public engagement.

Further the company promotes fair competition and respect competitors. We communicate the winning bidder and at the same time to the unsuccessful bidders giving the reasons their bids were not successful and also time to appeal before award letter is issued to the successful bidder.

- b) **Responsible Supply chain and supplier relations** – The company being a public entity is guided by the public procurement and Disposal Act of 2015 and also the Public Procurement and Asset Disposal Regulations 2020 in its procurement of goods and services to ensure competitive bidding and quality of product / service at lowest cost are realized.

It also ensures that its suppliers are well sensitized on the company's procedures from procurement of goods/services to the final process of payment.

The company also honours supplier contracts and respects payments within the credit period given.

- c) **Responsible marketing and advertisement-** The service offered by the company does not involve marketing and advertisement of the service, rather the company stakeholder engagement is paramount. Stakeholder engagement and public participation in key areas affecting services of the company such as tariff review, strategic plan validation, among other, this is done through customer / supplier sensitizations from time to time.

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

- d) **Product stewardship:** Efficient delivery of services to our customer is one of the crucial areas of the Company. The aim is to sustain 24-hour service delivery and minimum interruptions to the flow of water. This goal was achieved in most of the areas of our water supply. Customer service is an area of high priority as the Company is cognizant of the importance of the customer in the service delivery process and indeed to its overall performance.

During the period under review, we decentralized customer service operations by opening an additional two region offices at Ena and Gachoka. The Company is therefore committed to effective communication with the customers and sensitizing them on key issues in the management of water resource especially at the consumption point.

Though the company has not fully met needs of unserved customers, the company has endeavoured to extend service using its own resources and has even mobilized funds from donors and commercial loans to extend service to customers.

v) Corporate Social Responsibility Policy / Community Engagements

The company recognizes the need for Corporate Social Responsibility (CSR) and has a policy in which funds set aside during the annual budget for CSR are utilized. The policy stipulates the budget to be utilized as follows:

- 10% to destitute children home towards food
- 10% on activities outside service coverage areas of EWASCO, but within Embu County
- 10% on National Disasters
- 60% on water related issues within the water and sanitation supply area of EWASCO
- 10% on donations and unforeseen emergencies

During the year the company undertook CSR initiative programs through identification of the community needs and spent a total of Kshs. 378,850. Even through the implementation of the CSR budget was affected by Covid 19 that affected the cashflows and also compliance with MOH covid 19 guidelines.

The company recognizes co-existence with other and hence it has been actively involved in activities and social events occurring within its area of jurisdiction. Several events of social nature in which company has been involved with include:

The program includes

- **Sports:** The company supported Athletics Kenya Embu during region worlds trials and county cross country champions at Gangara during the year. In addition, the company was represented in various sporting activities such as various football leagues, Dart friendly competition, squash friendly competition
- **Education:** The company Sponsored Mini program at Kenya National Library of Embu,
- **Health:** Support during the world aid day through national aid control council with adolescence package,
- **Food:** The company mobilised food donations which were distributed to needy families in the slums within Embu town and Kirie on onset of covid 19 among others.
- **Talent Growth:** The company supports talent growth and contributed towards Miss Kenya Competition event.
- **Environment:** Guided by Government directive on National Tree Planting Campaign, the Company undertook initiative of planting 200 trees. The Company has also been involved in town beautification project by Embu County through provision of water for watering flowers,

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

pipng water to areas and an allocation of portion from Kenya National library to Probation Office where EWASCO is carrying out a landscaping exercise and its maintenance.

- **Social events:** Agricultural Society of Kenya (ASK) Show, national holidays such as Madaraka day and jamhuri day, disability day are some of the social events the company has participated over the years, however during to the outbreak of covid 19 the company did not engage in the event.
- **Stakeholders:** The company actively encourages open communication with stakeholders. Principally through the board, the company endeavours to establish and maintain healthy relationships with its institutional stakeholders by holding regular consultations on issues requiring stakeholder participation as enshrined in the Constitution of Kenya 2010. The company holds Annual General Meeting (AGM) once a year. The stakeholder representatives are given 21 days notices of AGM. At AGM the Company makes full presentation to stakeholders to explain recent and future developments in activities undertaken by company, followed by an open question and answer session which provides stakeholders with opportunity to ask directors and management questions regarding operations at performance of the company.

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the company's affairs.

Principal activities

The principal activities of the company are provision of water and sanitation services within the mandated area.

Results

The results of the company for the year ended June 30, 2021 are set out on page 20-48

Dividends

The company is a public utility owned by the Embu County Government on behalf of the people of Embu. The company does not issue dividends instead any surplus is ploughed back to extend the service to the public.

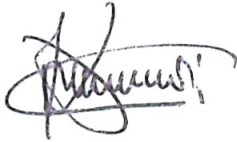
Directors

The members of the Board of Directors who served during the year are shown on page 2.0 in accordance with Regulation of the company's Articles of Association.

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.

By Order of the Board



Corporate Secretary / Secretary to the Board

Date 10/9/2021

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164(2) (f) of the Public Finance Management Act 2012 and the Company Act 2015 require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the Embu Water and Sanitation for that year. The Directors are also required to ensure that the Embu Water and Sanitation Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Embu Water and Sanitation Company. The Directors are also responsible for safeguarding the assets of the Embu Water and Sanitation Company.

The Directors are responsible for the preparation and presentation of the Embu Water and Sanitation Company's financial statements, which give a true and fair view of the state of affairs of the Embu Water and Sanitation Company for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

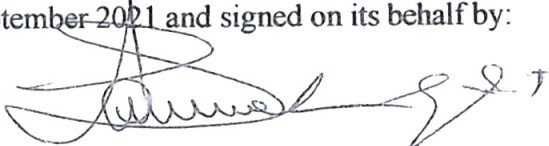
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Embu Water and Sanitation Company;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

The Directors accept responsibility for the Embu Water and Sanitation 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 the Companies. The Directors are of the opinion that the Embu Water and Sanitation Company's financial statements give a true and fair view of the state of Embu Water and Sanitation Company's transactions during the financial year ended June 30, 2021, and of the Embu Water and Sanitation Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Embu Water Company and Sanitation, which have been relied upon in the preparation of the Embu Water Company and Sanitation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Embu Water and Sanitation Company's financial statements were approved by the Board on 10th September 2021 and signed on its behalf by:



SIGNATURE

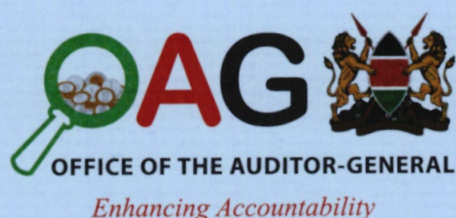
NAME

Samuel Nguni

CHAIRMAN OF THE BOARD

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EMBU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Embu Water and Sanitation Company Limited set out on pages 31 to 56, which comprise the statement of financial position as at 30 June, 2021, and the statement of 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, in all material respects, the financial position of the Embu Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Water Act, 2016, the Companies Act, 2015, and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.81,456,286 as at 30 June, 2021 as disclosed in Note 24 to the financial statements. This was made up of Kshs.81,454,313 held in thirteen bank accounts and Kshs.1,973 cash at hand. However, bank confirmation certificate, bank reconciliation, and bank statement supporting bank balance held in Postal Corporation of Kshs.3,141,740 were not provided for audit verification.

In addition, four (4) bank accounts with balances totalling Kshs.3,980,136 as at 30 June, 2021 were dormant. Management did not provide an explanation for the failure to close dormant accounts.

In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.81,454,313 as at 30 June, 2021 could not be confirmed.

2.0 Long Outstanding Trade Receivables

The statement of financial position reflects a balance of Kshs.277,898,762 in respect to trade and other receivables which as disclosed in Note 23 includes Kshs.235,268,830 in respect of trade receivables. Review of trade receivables aging analysis revealed that trade receivables amounting to Kshs.64,794,386 were incorrectly classified in the aging analysis list of below 30 days but were long outstanding beyond the statutory period of 30 days.

In the circumstances, the recoverability of the trade receivables of Kshs.64,794,386 as at 30 June, 2021 could not be ascertained.

3.0 Variance Between the VAT Ledger and Financial Statement Balances

The statement of financial position reflects trade and other receivables balance of Kshs.277,898,762 as at 30 June, 2021 and as disclosed in Note 23 to the financial statements. Included in this amount is Kshs.31,519,506 in respect to Kenya Revenue Authority (KRA) refund claims which were at variance with the VAT ledger balance of

Kshs.97,303,304 resulting in an unexplained and unreconciled variance of Kshs.65,783,798.

In the circumstances, the accuracy and completeness of the trade balances of Kshs.97,303,304 as at 30 June, 2021 could not be confirmed.

4.0 Variances between the Computerized System Balances and Financial Statement Balances

The statement of comprehensive income reflects Turnover - Water and waste water balance of kshs.392,742,282 comprised of water sales of Kshs.324,832,189, billed meter rent Kshs.18,978,300 and sewer of Kshs.48,931,792. This was at variance with the Pastel accounting system by an amount of Kshs.18,547,946 as indicated below: -

Item	Balance as Per Pastel System (Kshs.)	Balance as Per Financial Statements (Kshs.)	Variances (Kshs.)
Turnover	343,768,085	324,832,189	18,935,896
Water Related Income	11,337,860	11,740,810	(402,950)
Waste Water Related Income	4,298,420	4,283,420	15,000
Other Income	2,914,215	2,914,215	-
Total	362,318,580	343,770,634	18,547,946

Further, the amount was at variance with the Sulis billing system by an amount of Kshs.18,882,629 as indicated below: -

Item	Balance as Per Financial Statements (Kshs.)	Balance as Per Sullis Billing System (Kshs.)	Variances (Kshs.)
Turnover	324,832,189	343,769,616	(18,937,427)
Water Related Income	11,740,810	11,740,810	-
Waste Water Related Income	4,283,420	4,283,420	-
Other Income	2,914,215	2,859,417	54,798
Total	343,770,634	362,653,263	18,882,629

In the circumstance, the accuracy and completeness of the income balance of Kshs.721,580,126 as at 30 June, 2021 could not be confirmed

5.0 Understated Turnover - Water and Waste Water Balance

The statement of comprehensive income reflects total income of Kshs.721,580,126. Included in this amount is Kshs.392,742,282 in respect of turnover - water and waste water. However, other income of Kshs.354,927 and disconnection fees on request of Kshs.158,830 reflected in the accounting system report were not included in the income ledger resulting in an understatement of the turnover - water and waste water amount.

In this circumstance, the turnover - water and waste water amount of Kshs.392,742,282 is understated by the amount of Kshs.513,757.

6.0 Inaccuracies in Customer Deposit and Direct Deposit

The statement of financial position reflects a balance of Kshs.267,595,859 in respect to trade payables and accruals as at 30 June, 2021. Included in this amount is Kshs.103,857,350 in respect to customer deposit and direct deposit as disclosed in Note 27 to the financial statements. The amount though included in the Note to the financial statements was not receipted. This was at variance with the supporting ledger which reflected a balance of Kshs.56,223,852 resulting in an unreconciled and unexplained difference of Kshs.47,633,498.

In the circumstances, the accuracy of the customer deposit and direct deposit balance of Kshs.103,857,350 as at 30 June, 2021 could not be confirmed.

7.0 Unsupported Trade Payables and Accruals

The statement of financial position reflects a balance of Kshs.267,595,859 in respect to trade payables and accruals as at 30 June, 2021. Included in the balance is Kshs.163,738,509 in respect of trade payables and accruals as disclosed in Note 27 to the financial statements. However, the balance was not supported with ledgers indicating movement in each creditor account.

In the circumstances, the accuracy and completeness of the trade payables and accruals balance of Kshs.163,738,509 as at 30 June, 2021 could not be confirmed.

8.0 Unsupported Administration Costs

The statement of comprehensive income reflects a balance of Kshs.37,605,831 in respect of administrative expenses as at 30 June, 2021. Included in this amount is Kshs.13,380,482, Kshs.2,112,865, Kshs.3,033,249 incurred on payment of legal services, hospitality (stakeholders), and consultancy fee respectively out of which Kshs.4,829,258, Kshs.151,000, and Kshs.2,573,046 incurred on payment of legal services, hospitality (stakeholders), and consultancy fees respectively were not supported with procurement or tender documents to indicate how the services were sourced and status report of the cases paid for.

In the circumstances, the validity of the expenditure of Kshs.7,553,304 could not be confirmed.

9.0 Irregular Payment of Allowances to Staff

The statement of financial position reflects other staff-related expenses balance of Kshs.23,672,728 as disclosed in Note 14 to the financial statement. Included in this amount is Kshs.5,736,845 in respect of staff team building and benchmarking which further includes Kshs.1,413,736 paid to staff as allowances for attending staff team building conferences. Review of the payment vouchers revealed that all expenses including accommodation were catered for by the Company however the Company also paid allowances to the staff who attended the conference contrary to circular OP/CAB.2/12A of

14 August, 2006 which discontinued payment of allowances to officers participating in workshops and seminars.

Consequently, the validity of the payment of the allowances could not be confirmed as a fair charge to public funds.

10.0 Unsupported Board Expenses

The statement of financial position reflects Board expenses amount of Kshs.15,859,864 as disclosed in Note 15 to the financial statements. Management did not provide for audit signed attendance registers and minutes of the Board.

Consequently, the accuracy, completeness and validity of the Board expenditure amount of Kshs.15,859,864 could not be confirmed.

11.0 Unsupported Payment of Air Time Benefits to Staff

The statement of financial position as at 30 June, 2021 reflects establishment costs amount of Kshs.130,244,887 as disclosed in Note 16 to the financial statement. Included in this amount is Kshs.2,662,297 paid as telephone expenses to a service provider for supplying and loading individual staff telephone numbers with monthly air time for official use. However, the payments were not supported by an approved policy on eligible staff members, entitlement structure, and contract agreement with the service provider specifying how these services will be provided.

Consequently, the validity of the Kshs.2,662,297 paid as telephone expenses could not be confirmed.

12.0 Lack of Ownership Documents for Property, Plant, and Equipment

The statement of financial position reflects property plant and equipment balance of Kshs.684,249,614 as disclosed in Note 6 to the financial statement. Included in the balance is Kshs.7,095,611 in respect to motor vehicles out of which Kshs.2,800,000 relate to twenty (20) motorcycles purchased during the year under review. However, logbooks for ten (10) motorcycles worth Kshs.1,547,845 were not provided for audit.

In addition, included in the balance are computers of Kshs.3,068,555, equipment of Kshs.11,468,044 and furniture of Kshs.169,492,020 all totalling to Kshs.184,028,619 which had not been tagged or coded.

In the circumstances, the ownership of motor cycles amounting to Kshs.1,547,845 for the year ended 30 June, 2021 is in doubt and the assets may be lost due to lack of tagging and coding.

13.0 Unsupported Billing Software Upgrade

The statement of financial position as at 30 June, 2021 reflects Intangible Assets Net book value balance of Kshs.1,865,091 as disclosed in Note 6 to the financial statement. Included in the balance are additions of Kshs.1,644,593 in respect of the billing software upgrade. Management did not provide for audit the contract in support of the upgrade.

Consequently, the validity of the payment of Kshs.1,644,593 in respect of additions to the intangible assets could not be confirmed.

14.0 Unsupported Trade and Other Receivables Prior Year Adjustments

The statement of financial position reflects a balance of Kshs.277,898,762 in respect of trade and other receivables as disclosed in Note 23 to the financial statements. However, Management did not provide supporting documents and journals for audit verification for adjustment of Kshs.22,510,265.

In the circumstances, the accuracy and completeness of the Trade and Other Receivables of Kshs.277,898,762 could not be confirmed.

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects budgeted income of Kshs.724,165,593 and budgeted expenditure of Kshs.733,887,523 resulting in a deficit of Kshs.9,721,930. Management did not provide explanations on how the Company intended to finance the deficit during the year under review. Further, no explanation was provided on why the Board approved the unbalanced budget. This was contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that budget revenue and expenditure appropriations shall be balanced.

2.0 Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year's audit issues.

Other Information

The Management is responsible for the other information, which comprises The Chairman's Report, Directors' Report, Management discussions and responsibilities, Statement of Corporate Governance, and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and 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 public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Revenue Water (NRW)

The Company produced a total of 7,637,921 cubic meters (m³) of water out of which 4,779,368 cubic meters were billed to customers. The balance of 2,858,553 cubic meters (approximately 37%) of the total water produced with an estimated sale price of Kshs.194,295,847 at the rate of Kshs.67.97 per cubic meter (m³) represented Non-Revenue Water (NRW). This was above the allowable loss of 25% as provided by Schedule E of the Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company significantly exceeded the allowable Non-Revenue Water loss of 25% by 12% (1,909,480.25 m³) or approximately Kshs.64,372,535 which if not addressed will negatively impact on the Company's profitability and its long-term sustainability.

2.0 Non-Compliance with Law on Ethnic Composition

Review of the staff establishment revealed that the Company had a staff establishment of one hundred and thirty-one (131) staff out of which 95 staff belong to the dominant ethnic community. This translated to 73% of the total staff complement. This was contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

3.0 Employees Earning below a 1/3 of their Basic Salary

Review of the payroll provided for the month of February, 2021 and June, 2021 revealed that the Company had twelve (12) employees earning below a third of their basic salary. This was contrary to Section 19(3) of the Employment Act No.11 of 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

In the circumstances, Management was in breach of the law and an indication of weak controls of payroll processing.

4.0 Delayed Remittance of Income Tax

The financial statements reflect a balance of Kshs.22,821,847 as disclosed in Note 28 in respect to corporate taxation. The amount was accumulated from the previous years and no explanation was provided as to why the Company did not pay tax when due. Further, review of the income tax ledger revealed that the Company had an outstanding income tax amount of Kshs.1,668,875 as at 30 June, 2021.

The Company, therefore, risks being charged interest and penalties, and other measures by the Kenya Revenue Authority which include litigations and distress orders according to Section 39 and Section 42 of Tax Procedure Act No.29 of 2015 for the delay in payment of taxes.

Management is in breach of the Income Tax Act and risks attracting interests and penalties.

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and 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 governance were not effective.

Basis for Conclusion

1.0. Lack of Approved Risk Management Policy

The Company Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the Management manages risk exposures. This is in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

2.0. Lack of Approved Information Communication Technology (ICT) Policy

Review of the Company's information technology systems revealed that the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the company to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize the risk of errors, fraud, and the loss of data confidentiality, integrity, and availability.

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 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk Management and 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 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 July, 2022

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

XIII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2021

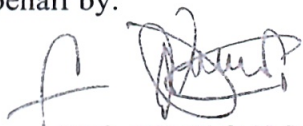
	Notes	2021	2020
		Kshs	Kshs
Turnover- Water And Waste Water	8	392,742,282	329,451,971
Water Related Income	9	11,915,220	7,141,506
Waste Water Related Income	10	4,283,420	1,503,420
Other Incomes	11	312,639,204	26,874,600
TOTAL INCOME		<u>721,580,126</u>	<u>364,971,497</u>
EXPENSES			
Administration Expenses	12	37,605,831	28,470,545
Staff Emoluments	13	138,125,538	123,404,653
Other staff Related Expenses	14	23,672,728	20,441,266
Board Expenses	15	15,859,864	15,739,663
Establishment cost	16	130,244,887	65,263,794
Maintenance & Production Cost	17	46,252,299	73,366,210
Other operating expenses	18	4,701,953	5,289,896
Finance costs	19	30,545,564	26,435,581
Total Expenses		<u>427,008,665</u>	<u>358,411,607</u>
Surplus Before Taxation		294,571,461	6,559,890
Less: Non Taxable income	20	<u>305,239,053</u>	
Taxable income		- 10,667,592	
Taxation			1,967,967
Surplus after Taxation		<u>- 10,667,592</u>	<u>4,591,923</u>

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	NOTES	2021 KSHs	2020 KSHs
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	6	684,249,614	693,262,548
Intangible assets	29	1,865,091	1,019,824
Total Non - Current Assets		686,114,706	694,282,372
CURRENT ASSETS			
Inventory	22	28,080,744	17,974,842
Trade and Other Receivables	23	277,898,762	313,514,252
Cash and Cash Equivalents	24	81,456,286	149,260,746
Total Current Assets		387,435,792	480,749,839
TOTAL ASSET		1,073,550,498	1,175,032,211
EQUITIES & LIABILITIES			
CAPITALS & RESERVES			
Share Capital	21	100,000	100,000
Retained Earnings	30	417,861,509	211,584,761
Revaluation Reserve	26	150,665,469	150,665,469
Capital & Reserves		568,626,978	362,350,230
NON CURRENT LIABILITIES			
Differed Income Capital Grants	33	155,282,695	170,749,825
OBA Loan	34	59,223,119	363,530,270
Total Non Current Liabilities		214,505,814	534,280,095
CURRENT LIABILITIES			
Payables and Accruals	27	267,595,859	255,580,040
Taxation	28	22,821,847	22,821,847
Total Current Liabilities		290,417,706	278,401,887
TOTAL EQUITIES & LIABILITIES		1,073,550,498	1,175,032,212

The financial statements were approved by the Board on 10/09/2021 and signed on its behalf by:


ENG. FELIX G. N. MUTUURA
MANAGING DIRECTOR


CPA DORIS NJIRU
HEAD OF FINANCE &
COMMERCIAL SERVICES
ICPAK M/NO:8120


RT. REV. DR. SAMUEL NGINYI
INTERIM CHAIRMAN OF THE
BOARD

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

	Share Capital kshs	Revaluation Reserves kshs	Retained Earnings(Restated) kshs	Total kshs
2020				
At 01/07/2019	100,000	150,665,469	206,992,836	357,758,305
Grants Reclassified as non Current Liabilities				-
Total Comprehensive Income			4,591,274	4,591,274
AT 30/06/2020	100,000	150,665,469	211,584,110	362,349,579
2021				
At 01/07/2020	100,000	150,665,469	211,584,110	362,349,579
Total Comprehensive Income			294,571,461	294,571,461
KRA Refund Unclaimable			- 88,294,063	- 88,294,063
AT 30/06/2021	100,000	150,665,469	417,861,506	568,626,975

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

		2021	2020
	NOTES	Kshs	Kshs
Surplus for the year		294,571,461	4,591,923
Adjustments for :			
Re-instated Surplus		-88,294,063	0
Depreciation	6	96,251,456	37,036,018
Amortisation of intangible assets	29	799,325	437,067
Less differed Income	33	-15,467,130	-17,663,180
Surplus before changes in working capital		287,861,049	24,401,827
Changes in working Capital			
(Increase) / Decrease in Trade and Other Receivables		35,615,489	-26,534,588
Increase / (Decrease) in Trade & Other Payables		12,015,818	5,957,460
(Increase) / Decrease in Trade Inventory		-10,105,902	2,073,913
Cash Generated from the Operating Activities		37,525,405	-18,503,215
Net Cash Generated from Operating Activities		325,386,454	5,898,612
Investing Activities			
Purchase of non- current assets	6	-87,238,522	-198,608,527
Purchase of Intangible assets	29	-1,644,593	-402,520
Net Cash Generated from Investing Activities		-88,883,115	-199,011,047
Financing Activities			
OBA loan	34	32,630,549	183,056,966
Loan repayment	34	-336,937,700	
Net Cash Generated from Financing Activities		-304,307,151	183,056,966
Increase in Cash and Cash Equivalents		-67,803,812	-10,055,468
Cash and cash equivalent			
At the start of the year	24	149,260,746	159,316,214
At the end of the year	24	81,456,934	149,260,746

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

XVI. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR YEAR ENDED 30TH JUNE 2021

TURNOVER	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	Actuals on Comparable basis	Performance Difference	% BUDGET Utilization
	2020/2021		2020/2021	2020/2021	2020/2021	
	Ksh	Ksh	Ksh	ksh	Ksh	
Total turnover	416,218,009	(21,566,736.00)	394,651,273	392,742,282	-1,908,992	100%
Water Related Income	25,400,000	(9,326,884.00)	16,073,116	15,329,640	-743,476	95%
Exhauster services	3,502,874	(2,700,874.00)	802,000	869,000	67,000	108%
	445,120,883	- 33,594,494	411,526,389	408,940,922	-2,585,468	99%
OTHER INCOMES						
Donation	272,619,590	21,577,269.00	294,196,859	294,196,859	0	100%
Deffered Income	-	15,467,130.00	15,467,130	15,467,130	0	100%
Insurance Compensation Income		61,000.00	61,000	61,000	0	100%
Materials Charges	-	2,914,215.00	2,914,215	2,914,215	0	100%
	272,619,590	40,019,614	312,639,204	312,639,204	0	100%
TOTAL INCOME	717,740,473	6,425,120	724,165,593	721,580,126	-2,585,468	100%
			-			
ADMINISTRATION EXPENSES			-			
Provision for Audit Fees	675,000		675,000	675,000	0	100%
Consultancy fee	5,806,000	(1,800,000.00)	4,006,000	4,004,228	-1,772	100%
Waspa meetings	670,000	(286,240.00)	383,760	383,760	0	100%
Subscriptions	366,600	477,506.67	844,107	953,900	109,793	113%
Meetings (various stakeholders)	1,248,000	774,605.33	2,022,605	2,112,865	90,260	104%
Software Maintenance and Upgrading	3,098,640	(2,447,728.00)	650,912	638,184	-12,728	98%
Legal Expenses	10,000,000	3,446,520.00	13,446,520	13,380,482	-66,038	100%
Tax	-			-		0%
WASREB-L Regulation fee	17,323,213	(2,211,518.00)	15,111,695	15,457,412	345,717	102%
TOTAL	39,187,453	- 2,046,854	37,140,599	37,605,831	465,232	101%
			-			
STAFF EMOLUMENT			-			
Salaries	126,642,200		126,642,200	123,535,352	-3,106,848	98%
Staff Medical Expenses	15,000,000	-	15,000,000	14,520,186	-479,814	97%
staff CBA expenses	600,000	220,414.67	820,415	805,311	-15,104	98%
Staff Subsistence	4,344,000	(1,162,453.00)	3,181,547	3,024,890	-156,657	95%
Staff Teambuilding / Benchmarking	4,000,000	1,748,000.00	5,748,000	5,736,845	-11,155	100%
Staff Ammenties	2,346,100	(290,004.00)	2,056,096	2,056,096	0	100%
Staff Training	7,200,000	2,341,037.00	9,541,037	9,539,024	-2,013	100%
Staff End of the Year Party	1,500,000	(548,000.00)	952,000	943,800	-8,200	99%
Staff Uniforms	1,823,800	(23,800.00)	1,800,000	234,870	-1,565,130	13%
Staff Longterm Service Award	500,000		500,000	70,000	-430,000	14%
Staff Sports	5,257,900	(3,543,036.00)	1,714,864	1,331,892	-382,972	78%
TOTAL STAFF EMOLUMENTS	169,214,000	- 1,257,841	167,956,158	161,798,266	-6,157,892	96%
BOARD EXPENSES			-			
Directors Allowances	8,825,424	4,699,062.00	13,524,486	14,494,284	969,798	107%
AGM Expenses(and Shareholders confere	1,720,000	(354,420.00)	1,365,580	1,365,580	0	100%
TOTAL BOARD EXPENSES	10,545,424	4,344,642	14,890,066	15,859,864	969,798	107%
			-			
TOTAL ADMINISTRATION COSTS	218,946,877	1,039,947	219,986,823	215,263,961	-4,722,862	98%

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

ESTABLISHMENT COSTS			-			
Office Rent	720,000	(350,000.00)	370,000	360,368	-9,632	97%
Building Repairs and Maintenance	1,540,600	410,251.00	1,950,851	2,140,494	189,643	110%
Computer Expenses	1,596,300	896,720.00	2,493,020	2,457,665	-35,355	99%
Insurance	3,241,833	(422,385.00)	2,819,448	2,889,951	70,503	103%
Security	3,753,200	(918,291.00)	2,834,909	2,755,589	-79,320	97%
Utility (Water & Electricity)	1,490,000	644,349.00	2,134,349	2,239,128	104,779	105%
Motor Repairs	4,428,960	1,018,464.00	5,447,424	5,666,696	219,272	104%
Motor Vehicle/Cycle Fuel and Oil	4,428,960	2,000,000.00	6,428,960	6,410,496	-18,464	100%
Postage and Delivery	840,000	(506,604.00)	333,396	410,199	76,803	123%
Telephone	1,638,000	750,021.00	2,388,021	2,662,297	274,276	111%
Printing and Stationery	1,450,870		1,450,870	1,318,796	-132,074	91%
Corporate Responsibility	1,500,000	(1,100,000.00)	400,000	378,850	-21,150	95%
Supply Operations Costs	2,667,200	(1,360,384.00)	1,306,816	1,036,000	-270,816	79%
Pro poor activities	500,000	(400,000.00)	100,000	69,500	-30,500	70%
General Office Expenses (Equipment)	1,500,000	(1,473,148.00)	26,852	20,139	-6,713	75%
Generator Expenses	300,000	(224,088.00)	75,912	91,429	15,517	120%
Provision for Bad Debts		2,447,438.88	2,447,439	2,447,439	-0	100%
Depreciation		96,251,455.99	96,251,456	96,251,456	-0	100%
Amortisation for Intangible Assets		799,324.83	799,325	799,325	0	100%
TOTAL ESTABLISHMENT EXPENSES	31,595,923	98,463,125	130,059,048	130,405,816	346,769	100%
			-			
MAINTENANCE & PROD. COSTS			-			
Water Chemical Treatment	10,718,400	-	10,718,400	11,084,085	365,685	103%
Operations & Maintenance Treatment w	788,760	32,971.00	821,731	1,559,280	737,549	190%
GIS Maintenance	688,500	(568,833.00)	119,667	129,750	10,083	108%
Quality Test	1,765,360	(1,064,079.00)	701,281	770,186	68,905	110%
Water Supply System Repairs	34,745,961	(12,935,127.00)	21,810,834	21,081,404	-729,430	97%
Non Revenue Expenses	5,019,200	(3,235,752.00)	1,783,448	1,867,496	84,048	105%
Sewer Expenses	2,693,000	(1,395,637.00)	1,297,363	1,176,147	-121,216	91%
Exhauster Services	2,802,988	(1,854,323.00)	948,665	1,254,884	306,219	132%
NEMA	600,000	(375,000.00)	225,000	215,000	-10,000	96%
OBA		1,345,811.00	1,345,811	1,345,811	0	100%
WARMA Abstraction fee	4,599,768	1,100,000.00	5,699,768	5,698,756	-1,012	100%
MAINTENANCE & PRODUCTION	64,421,937	(18,949,969)	45,471,968	46,182,799	710,831	102%
			-			
OTHER OPERATING EXPENSES			-			
Cleaning and hygiene	1,920,000	117,381.00	2,037,381	2,291,607	254,226	112%
Photocopier expenses	1,500,000	(1,490,000.00)	10,000	10,000	0	100%
Advertising and promotion	440,000	191,584.00	631,584	697,432	65,848	110%
Customer relation expenses	2,307,000		2,307,000	267,365	-2,039,635	12%
PR & Communication	6,500,000	(6,000,000.00)	500,000	533,600	33,600	107%
Newspapers and periodicals	269,280	(8,773.00)	260,507	276,920	16,413	106%
TOTAL	12,936,280	(7,189,808)	5,746,472	4,076,924	-1,669,548	71%
FINANCE COSTS						
Bank charges , mpesa & Interest Charges	331,264,000	1,359,212.00	332,623,212	30,545,564	-302,077,648	9%
TOTAL BUDGET	659,165,017	74,722,506	733,887,523	426,475,065	-307,412,458	58%

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Embu Water and Sanitation Company is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the County Government of Embu and is domiciled in Kenya. The entity's principal activity is provision of water and sanitation services.

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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

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

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

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

Title	Description	Effective Date
IAS 39 – Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which determines the subsequent measurement of the instrument. Special rules apply to embedded derivatives and hedging instruments	The amendments add effective for the annual periods beginning on or after January 1, 2020.
IFRS 4 – Insurance Contracts	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to	The amendments are effective for annual periods beginning on or

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Title	Description	Effective Date
(Superseded))	reinsurance contracts that it holds. In light of IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	after January 1, 2020.
IFRS 7- Financial Instruments Disclosures	IFRS 7 "Financial Instrument Disclosures": requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16 – Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted

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

Title	Description	Effective Date
IAS 1- Presentation of Financial statements	IAS 1 "Presentation of Financial statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/ non-current distinction. The standard requires a complete set of financial statement to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted
IAS 12- Income	IAS 12, "Income Taxes" implements a so called 'comprehensive balance sheet method' of accounting	Earlier application is permitted.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

Taxes	for income taxes which recognizes both current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credit, are recognized, with limited expectations, as deferred tax liabilities or deterred assets, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16- Property, plant and equipment	IAS 16 "Property, plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciation so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
IAS 37- Provisions, contingent liabilities and contingent Assets	IAS 37 "Provisions, contingent liabilities and contingent Assets" outlines the accounting for provision (liabilities of uncertain timing or amount) together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligation that are not probable or not reliable measurable)	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
IAS 41- Agriculture	IAS 41 "Agriculture" sets out the accounting for agriculture activity- The transformation of biological assets (living plants and animals) into agricultural produce (harvests product of the entity's biological assets) The standard generally requires biological assets to be measured at fair value less costs to sell	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
IFRS 1- First time Adoption of international financial Reporting standards	IFRS 1 "First-time Adoption of international financial reporting standards" set out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
IFRS 3 – Business combination	IFRS 3 "Business Combination" outlines the accounting when an acquirer obtains control of a business (e.g., an acquisition or merger). Such	The amendments are effective for annual periods beginning on or

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

	business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated conceptual framework) at the same time or earlier.
IFRS 17 – Insurance contracts	IFRS 17 Establishes the principles for the recognition, measurements presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, insurance contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii) Early adoption of standards

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities. The entity recognizes revenue when it transfers control of a product or service to a customer.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the *entity* actually receives such grants.

During the year under review the company received the following grants:

- **Grant in form of subsidy:**

The company received grants in form of subsidy from World bank through Water Services Trust Fund. The grant was related to the new sewerage project refunded to as Output Based Aid (OBA) which was funded through commercial loan and the company was to receive a subsidy upon meeting the conditions set in the agreement. The subsidy would go towards reducing both the principal loan and the interest. The company met all the conditions stipulated under the subsidy agreement in implementation of the project and therefore qualified for the subsidy.

The subsidy received during the period amount to Kes 272, 263,549 the amount has been recognized in the books as donation under other incomes.

- **Grant arising from Covid – Conditional Liquidity subsidy grant:**

The company received grant from water services Trust Fund (WSTF) in form liquidity to cushion water companies during covid period to enable them continue with service despite the impact on covid where water provision was critical despite customers inability to pay. The amount received amount to Kes 17,508,374. This was recognized in the books as donation under other incomes, and expensed directly in the books upon

- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognized as it accrues.

b) In-Kind contributions

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

During the period the company received donation in kind in form of Chemicals from worth Kes 4,424,936. This has been recognized as donation under other incomes and the whole amount has been expensed in the statement of comprehensive income under maintenance and production costs.

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works	2 %
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25 %
Computers and related equipment	30 %
Office equipment, furniture and fittings	12.5%
Meters	12.0%

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the reducing balance basis over the estimated useful life of computer software at the rate of 30%. All computer software are reviewed annually for

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

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

h) Finance and operating leases

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

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate of 5% as per our financial manual is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation

Current income tax

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

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

Deferred tax

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

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

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

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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

Non- Taxable Income

Non-Taxable income refers to income recognized in the books that is not recognized for tax purposes. During the period under review the income recognized that is not taxable include:

- Donations in kind in form of water chemicals donated by WSTF
- Grant received in relation to OBA loan as subsidy for the sole purpose of reducing both the OBA loan and interest.
- Conditional Liquidity Support Grant (CLSG) – Grant received from WSTF to cushion water companies from impact of covid 19 to ensure continuous service delivery

o) Cash and cash equivalents

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

p) Borrowings

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

q) Trade and other payables

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

r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2016. 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.200 per employee per month.

s) Provision for staff leave pay

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

t) Exchange rate differences

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

u) Budget information

The original budget for FY 2020-2021 was approved by the EWASCO Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in the financial statements.

v) Comparative figures

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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

w) Subsequent events

During the period under review the company had various legal issues in court, some which span from 2017 while others current at different levels. The cases may have a significant impact in the following years depending on the direction of the ruling.

Below are the cases that were on going as at year end that were on going.

No	Nature of the Event	Status
1.	Public liability for damage of crops and other plants at Kathageri, caused by 12'' pipe burst in May 2020. The valuation shows that the company should pay 1.8 million.	The client has sued the company and the case is being handle by our insurance lawyer Britam
2	The case of the late Regan the kid who fell into an open manhole and died in 2019. The parent sued the company and the case is still in progress.	Case closed after the year end in September 2021 and the company paid compensation of Kes 3,865,498
3	Case of late David Kariuki Ndwiga employee who died in January 2019 compensation by the Insurance (AMACO) didn't pay for WIBA after his demise The labour Officer DOSHI, calculation for Group life was Ksh. 5,585,542.08 while the insurance proposed to pay 740,000.	The case is still on at the Labour office level This is still under negotiation led the labour officer it has not gone to court yet
4	Constitution Petition no E003 of 2018 / 2021 of Embu citizenry Network and Governor Embu and Embu water	Case still on going
5	Petition No E013 of 2021 – Employment labour relations Court	Current case mentions just started
6	CMEL Case No. 2370 of 2017 - Employment labour relations on staff termination in 2017 between Kenya County Government Workers Union & EWASCO	Employee termination case still pending in court
7	Constitution petition E006 of 2021 County Government of Embu & EWASCO	Current case mentions just started

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

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

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.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Office & Building	Motor Vehicles & Cycles	Computers & Peripherals	Equipment & Equipment	Plant & Machinery	Fixture & Fittings	Water meters	Work in Progress	Totals
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
2020										
As at 01.07.2019	6,994,345.00	19,201,416.55	33,957,305.19	13,666,794.38	52,660,724.09	73,817,577.87	453,895,786.86	61,202,088.46	237,611,390.57	953,007,428.97
Additional			-	773,982.00	575,936.00	859,949.00	1,060,955.40	7,614,382.43		10,885,204.83
WIP									187,723,322.65	187,723,322.65
TOTAL ASSETS	6,994,345.00	19,201,416.55	33,957,305.19	14,440,776.38	53,236,660.09	74,677,526.87	454,956,742.26	68,816,470.89	425,334,713.22	1,151,615,956.45
Dep as at 1.7.19	-	3,597,691.47	25,076,218.36	11,327,945.54	39,231,612.75	55,574,342.98	263,025,251.37	23,484,328.27	-	421,317,390.74
Charge for the year	0	312,074.50	2,220,271.71	933,849.25	1,750,630.92	2,387,897.99	23,991,436.36	5,439,857.11		37,036,017.84
TOTAL ACC DEP	-	3,909,765.97	27,296,490.06	12,261,794.79	40,982,243.67	57,962,240.97	287,016,687.73	28,924,185.39	-	458,353,408.58
As at 30.06.2020	6,994,345.00	15,291,650.58	6,660,815.13	2,178,981.59	12,254,416.42	16,715,285.90	167,940,054.53	39,892,285.50	425,334,713.22	693,262,547.87
2021										
As at 01.07.2020	6,994,345.00	19,201,416.55	33,957,305.19	14,440,776.38	53,236,660.09	74,677,526.87	454,956,742.26	68,816,470.89	425,334,713.22	1,151,615,956.45
Additional		5,107,671.61	2,800,000.00	2,204,669.38	851,920.00	466,796,816.22	25,765,111.50	9,047,047.00		512,573,235.71
WIP									41,462,103.00	41,462,103.00
WIP Capitalized									466,796,816.22	466,796,816.22
TOTAL ASSETS	6,994,345.00	24,309,088.16	36,757,305.19	16,645,445.76	54,088,580.09	541,474,343.09	480,721,853.76	77,863,517.89	-	1,238,854,478.94
Dep as at 1.7.20	-	3,909,765.97	27,296,490.06	12,261,794.79	40,982,243.67	57,962,240.97	287,016,687.73	28,924,185.39	-	458,353,408.58
Charge for the year		407,986.44	2,365,203.78	1,315,095.29	1,638,292.05	60,439,012.76	24,213,145.75	5,872,719.90		96,251,455.99
TOTAL ACC DEP	-	4,317,752.41	29,661,693.85	13,576,890.08	42,620,535.72	118,401,253.74	311,229,833.49	34,796,905.29	-	554,604,864.57
As at 30.06.2021	6,994,345.00	19,991,335.75	7,095,611.34	3,068,555.68	11,468,044.37	423,073,089.35	169,492,020.27	43,066,612.60	-	684,249,614.37

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2021

7 THE WATER SECTOR REFORMS

Pursuant to the requirements of the Water Act 2002, the Government of Kenya (GoK) water is devolved function. Embu water is wholly owned by the county Government of Embu

In line with these countrywide reforms, the EMBU Water & Sanitation Company (EWASCO) has been licensed to provide water within Embu county by the regulator of water provider WASREB

8 TURNOVER

	2021 KSHS	2020 KSHS
Total Turnover	392,742,282	329,451,971
9 Water Related Income		
New connections application fee	348,140	336,000
Meter testing & Meter Replacement	331,500	273,500
Reconnections	4,200,530	2,626,878
Labour charges	6,743,170	3,699,588
Miscellaneous- Reprint	174,410	84,900
Miscellaneous- Tender sale		6,000
Miscellaneous- Bulk water sale	34,720	42,640
Miscellaneous- water test	82,750	72,000
	<u>11,915,220</u>	<u>7,141,506</u>
10 Waste Water Related Income		
Exhauster services	869,000	852,920
Sewer connection fee	3,144,420	110,500
Dumping fee - Other exhausters	270,000	540,000
	<u>4,283,420</u>	<u>1,503,420</u>
11 Other Incomes		
Insurance Compensation	61,000	-
Materials Charges	2,914,215	8,738,840
Interest on savings	-	62,580
Deferred Income	15,467,130	17,663,180
Donations -Subsidy	272,263,549	
Donations -CLSG	17,508,374	
Donations- Chemicals	4,424,936	410,000
	<u>312,639,204</u>	<u>26,874,600</u>
TOTAL REVENUE	<u>721,580,126</u>	<u>35,519,526</u>
12 ADMINISTRATION EXPENSES		
Provision for Audit Fees	675,000	675,000
Consultancy fee	3,033,249	1,611,329
Company Secretarial Services	970,979	357,741
Waspa meetings	383,760	190,093
Subscriptions	953,900	187,400
Hospitality Meetings (Stakeholders)	2,112,865	1,503,646
Software Maintenance and Upgrading	638,184	1,388,580
Legal Expenses	13,380,482	5,187,695
Tax Expenses on dispute	-	4,190,901
WASREB- Regulatory Levy	15,457,412	13,178,160
TOTAL	<u>37,605,831</u>	<u>28,470,545</u>
13 Staff Emoluments		
Salaries	109,487,048	103,536,657
Casual Wages	2,032,391	413,879
Staff Medical Expenses	14,520,186	6,822,678
Employer Contribution-Pension	9,095,981	9,462,684
Provision for gratuity	2,628,532	2,496,688
Staff longterm service award	70,000	275,000
Staff benevolent Employer	291,400	397,067
	<u>138,125,538</u>	<u>123,404,653</u>
14 Other Staff Costs		
Staff CBA Expense	805,311	215,520
Staff Subsistence	3,024,890	2,392,222
Staff Teambuilding & Benchmarking	5,736,845	347,250
Staff Amenities	2,056,096	1,257,053
Staff Training	9,539,024	2,459,481
Staff End of the Year Party	943,800	1,235,830
Staff Uniforms	234,870	1,124,013
Staff Sports	1,331,892	11,409,897
	<u>23,672,728</u>	<u>20,441,266</u>
15 Board Expenses		
Directors Allowances	7,409,255	9,035,053
Other Expenses(travelling,training,meals)	7,085,029	4,048,210
AGM Expenses(and Stakeholders conference)	1,365,580	2,656,400
	<u>15,859,864</u>	<u>15,739,663</u>
TOTAL ADMINISTRATION COSTS	<u>215,263,961</u>	<u>188,056,127</u>

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

16 ESTABLISHMENT COSTS

Office Rent	360,368	256,928
Building Repairs and Maintenance	2,140,494	1,593,749
Computer Expenses	2,457,665	1,204,665
Insurance	2,889,951	2,903,514
Security	2,755,589	2,939,654
Utility (Water& Electricity)	2,239,128	3,193,182
Motor Repairs	5,666,696	5,459,232
Fuel and Oil	6,410,496	4,337,666
Postage and Delivery	410,199	710,304
Telephone	2,662,297	2,068,741
Printing and Stationery	1,318,796	1,100,719
Supply operations costs	1,036,000	-
Corporate Responsibility	378,850	641,233
General office Expenses	20,139	10,800
Provision for Doubtful debts(increase)	2,447,439	1,370,321
Depreciation	96,251,456	37,036,018
Amortisation for Intangible Assets	799,325	437,067
TOTAL ESTABLISHMENT EXPENSES	130,244,887	65,263,794

17 Maintenance & Production Cost

Water chemical treatment	11,084,085	6,690,269
Operations & Maintenance works	1,559,280	967,396
GIS Maintenance	129,750	108,621
Quality Test	770,186	1,143,554
Water supply system repairs	21,081,404	35,354,679
Non revenue expenses	1,867,496	2,240,411
Sewer expenses	1,176,147	1,544,266
Exhauster expenses	1,254,884	1,880,728
Pro poor activities	69,500	-
Nema & KEBS	215,000	113,000
OBA	1,345,811	21,042,884
WARMA Abstraction fee	5,698,756	2,280,401
Total Maintenance & Production cost	46,252,299	73,366,210

18 Other operating expenses

Cleaning and hygiene	2,291,607	2,516,224
Photocopier & Generator expenses	101,429	248,467
Advertising and promotion	697,432	922,000
Customer Relation Expenses	800,965	1,344,375
Corporate image and Branding	533,600	-
Newspapers and periodicals	276,920	258,830
Total	4,701,953	5,289,896

19 Finance costs

Interest charges	28,746,754	25,121,909
Bank charges & Mpesa	1,798,811	1,313,670
Total Finance Costs	30,545,564	26,435,580

TOTAL EXPENDITURE

SURPLUS/(DEFICIT) FOR THE YEAR

427,008,665	358,411,607
294,571,461	6,559,890

20 LESS: NON TAXABLE INCOME

Grants Income	289,771,923
Deferred Income	15,467,130
	305,239,053

SURPLUS FOR THE PERIOD

-	10,667,592
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EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

Notes	2021 Kshs	2020 Kshs
21 CAPITAL		
Authorised		
5000 ord. Shares of ksh.20 each	100,000	100,000
Issued and fully paid up		
5000 ord. Shares of ksh.20 each	100,000	100,000
22 INVENTORY		
Pipes & Fittings and Chemicals	28,080,744	17,974,841
23 TRADE AND OTHER RECEIVABLES		
Trade debtors	271,346,416	222,397,638
Less: Specific provision for Bad Debts		
General provision for Doubtful Debts	13,567,321	11,119,882
Prior - Year adjustments for bills	22,510,265	-
Net Trade Debtors	235,268,830	211,277,756
Prepaid Insurance	1,533,304	1,095,046
KRA Refund claims (less Prior adjustments -Kes 65,783,798)	31,519,506	96,523,335
TWSB	659,225	659,225
Salary, medical & Business Advance	2,754,687	1,625,050
WASREB(licence bond)	3,835,596	6,225
Cash Loss	1,968,336	1,968,336
JICA Project	359,278	359,278
Total Trade & other Receivables	277,898,762	313,514,251

24 BANK AND CASH EQUIVALENTS

	2021 KSHS	2020 KSHS
Cash at Bank	81,454,313	149,239,914
Cash at Hand	1,973	20,832
Grand Total	81,456,286	149,260,746

The bulk of cash was held at Co-operative bank the company's main banker

DETAILED ANALYSIS OF CASH & CASH EQUIVALENT

FINANCIAL INSTITUTION	2021 KSHS	2020 KSHS
a) Current Account		
Equity Current Account	1,153,199	915,301
Coop Exhauster Current Account	1,615,684	811,619
OBA Coop current account	41,236,123	2,648,894
KCB Current Account	837,194	838,638
Coop Current Account	6,196,736	724,405
Co-op CLSG Current Account	7,645,933	-
Escrow Co-operative Account	8,216,420	130,663,720
Sub-Total	66,901,288	136,602,577
b) Fixed Deposit Account		
Co-op Fixed Deposit Account	2,709,968	2,709,968
Sub-Total	2,709,968	2,709,968
c) Savings Account		
Equity Savings Account	-	2,394,254
Co-op Saving Account	8,514,256	4,125,562
Nawiri Saving Account	1,202	1,202
Sub-Total	8,515,459	6,521,019
d) Collection Accounts		
Post Bank	55,930	64,309
Postal Corporation	3,141,740	3,141,740
Sub-Total	3,197,670	3,206,049
e) Others (Specify)		
MPESA Account (Mobile money Account)	129,928	200,302
Cash at Hand	1,973	20,832
Sub-Total	131,901	221,134
GRAND TOTAL	81,456,286	149,260,746

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

25 PROVISION FOR DOUBTFUL DEBTS

The Company has provided for doubtful debts in the current year.

26 REVALUATION ACCOUNT	150,665,469	150,665,469
27 TRADE PAYABLES AND ACCRUALS		
Customer deposits & direct deposit not receipted	103,857,350	93,338,765
County community pipes funds	-	368,102
Trade payables & Accruals	163,738,509	161,873,173
TOTAL TRADE AND OTHER PAYABLES	267,595,859	255,580,040

28 TAXATION		
Balance B/F	22,821,847	20,853,879
	-	-
Provision for the year	-	1,967,968
	22,821,847	22,821,847

29 INTANGIBLE ASSETS

COST		
At July 2020	6,878,382	6,475,862
Additional	1,644,593	402,520
As at June 2021	8,522,975	6,878,382
AMORTISATION		
At July 2020	5,858,558	5,421,491
Charge for the Year	799,325	437,067
At June 30 2021	6,657,883	5,858,558
NET BOOK VALUE		
At June 30 2021	1,865,091	1,019,824

30 REVENUE RESERVES

Bal as at 1st July 2021	211,584,111	206,992,837
Prior year Adjustment -KRA Refund Unclaimable	- 88,294,063	-
Profit for the year	294,571,461	4,591,274
	417,861,509	211,584,111

31 NUMBER OF EMPLOYEES

The number of employees as at 30th June 2021 was 123

32 INCORPORATION

EMBU Water & Sanitation Company (EWASCO) is incorporated under the Companies Act Cap 486 of the laws of Kenya

33 CAPITAL GRANTS

Bal as at 1/7/2020	170,749,825	188,413,006
	-	-
Less previous years Amortisation	-	-
	15,467,130	17,663,180
	155,282,695	170,749,825

34 OBA LOAN

Bal as at 01/07/2020	363,530,270	180,473,304
Additional loan	32,630,549	183,056,966
Loan Repayment	336,937,700	
Bal as At 30/06/2021	59,223,119	363,530,270

35 Prior - Year Adjustments (Note 31)

VAT Unclaimable	65,783,798	
Bills adjustments (Wrong billings / Estimates)		
Year 2016-2017	1,559,897.90	
Year 2017-2018	2,360,033.36	
Year 2018-2019	9,568,164.60	
Year 2019-2020	9,022,168.98	
Total Bills adjustments	22,510,265	
Total Prior Year Adjustments	88,294,062.8	

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

36. RELATED PARTIES- IAS 24

The Company regards the following as related parties:

- (a) **Board of Directors-** During the Financial Year the Board expenses amounted to Kshs. 15,859,864.
- (b) **WASREB-** During the financial year the Company paid Kshs. 15,457,412 as administrative fee as per Water regulation guidelines.

37. FINANCIAL MANAGERMENTS RISK DISCLOSURES

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Boards credit risk is attributable to its cash and cash equivalent and trade receivable. Both bank balances and trade receivables are fully performing and no debt has impaired. The amount that best represents the Boards maximum exposure to credit risk is made up as follows;

	CREDIT RISK			
As at June 2021	Total Amount	Fully Performing	Past Due	Impaired
	KSHS	KSHS	KSHS	KSHS
Trade Receivable	235,268,830	152,924,440	82,344,390	0
Other Receivables	42,629,932	39,643,093	2,986,839	0
Bank Balances	81,456,286	81,456,286		0
Total	359,355,048	274,023,819	85,331,229	0
As at June 2020				
Trade Receivable	211,277,756	211,277,756	0	0
Other Receivables	102,236,495	33,465,858	2,986,839	65,783,798
Bank Balances	149,260,746	149,260,746		0
Total	462,774,997	394,004,360	2,986,839	65,783,798

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The Board manages liquidity risk by maintaining adequate cash reserves to ensure liability are paid as they fall due and to cushion against any liquidity risk. The table below shows the Boards financial responsibilities that will be settled on a net basis.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2021

	LIQUIDITY RISK			
As at June 2021	Less than 1 Month	Between 1-3 months	Over 5 Months	Total
	KSHS	KSHS	KSHS	KSHS
Trade Payables	71,736,581	1,591,355	90,202,006	163,529,942
Employee Benefit	208,567			208,567
Total	71,945,148	1,591,355	90,202,006	163,738,509
As at June 2020				
Trade Payables	112,199,638	1,618,732	48,054,804	161,873,173

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

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

NO	AUDIT QUERY	RESPONSES
1	Unsupported Other Receivables	The long outstanding debts of Ksh 95,474,100 in respect to Kenya revenue Authority (KRA) came about due to VAT input claims from the Kenya Revenue Authority. The Company sales are Zero rated hence qualify to claim input tax from the Kenya Revenue Authority. The Company engaged a tax consultant to follow the refund on behalf of EWASCO and outline the amount claimable by EWASCO is Kes 31,519,506. We have already amended the amount in our books.
2	Cash loss of kshs.1,968,130	A legal action has been taken to try and recover the cash lost by staff and they have written to show willingness to pay once their financial status improve
3	Lack of Ownership Documents	The said motorcycles have been identified and copies attached. We are following up the replacement of log books with NTS
4	Land, Office and building	The land for the offices is owned by the Embu County Government while that of sewerage and Kangaru storage tanks is owned by the ministry of Water. Tana Water Developments Works has initiated the asset transfer thus this is work in progress.
5	Non-Adherence to the one Third Gender Rule	We wish to confirm that the company has adhered to the gender rule as per article 27(8) of the constitution of Kenya 2010. The company has the bulk of workforce in the technical department which has been predominantly male from the start of the organization given the work is labour intensive is field team such as plumbers and sewerage attendants The company is however committed in meeting gender rule and in recent recruitment, priority has been given to qualified female candidates.

EMBU WATER AND SANITATION COMPANY**Annual Reports and Financial Statements****For the year ended June 30, 2021**

		However; the gender rule has been observed in Corporate Management team (CMT) composition and recent recruitment on gender CMT Composition 1. Managing Director – Male 2. Head of Technical Services - Male 3. Head of Audit Risk & Compliance - Male 4. Head of Finance & Commercial Services - Female 5. Ag. Head of Corporate Services - Female
6	Audit Fees	The company has cleared off the long outstanding audit fees in the year under review.

APPENDIX 11: PROJECTS IMPLEMENTED BY THE ENTITY

	Project	Total Project Cost	Total Expended to Date	Completion % to Date	Budget	Actual	Sources of Funds
1	OBA sewerage Project	466,796,816	466,796,816	100%	450,000,000	466,796,816	Loan Own funds