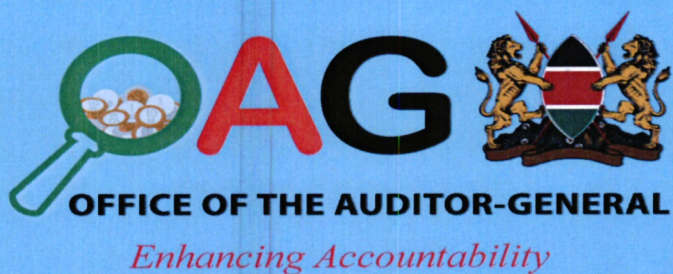


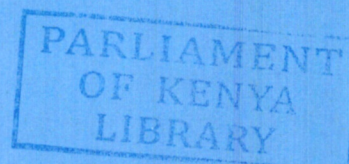
REPUBLIC OF KENYA



REPORT

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DATE	31/5/2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Chania

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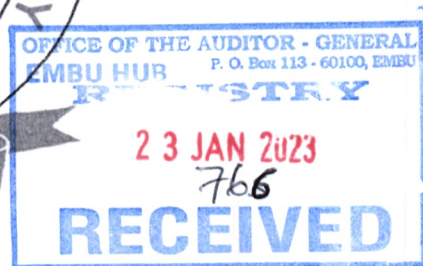
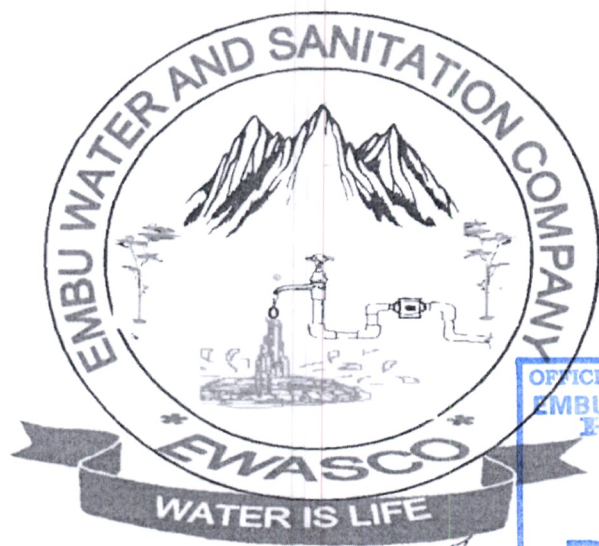


THE AUDITOR-GENERAL

ON

**EMBU WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



EMBU WATER AND SANITATION COMPANY

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2022

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

EMBU WATER AND SANITATION COMPANY
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I. KEY ENTITY INFORMATION

BACKGROUND INFORMATION

Embu Water and Sanitation Company (EWASCO) was incorporated as a private company limited by ordinary share capital by the Embu Municipal Council in March 2003. It was established under the companies Act Cap 486 and fully owned by the defunct Embu Municipal Council. The Company became operational in March 2005 and the financial operations of the Company were separated from those of the Municipal Council in July 2005. The company is now wholly owned by the Embu County Government, with a mandate of providing water and sanitation services within Embu County serving four constituencies namely Manyatta, Runyenjes, Mbeere South and Mbeere North and parts of Kirinyaga County. The Company is domiciled in Kenya, Embu County with its head office at Embu Water located in Embu town 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 our jurisdiction

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).

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

S/N	Name	Designation	Description
1	Rt Rev. Dr. Samuel Nginyi	Chairman	Appointed on 20th January 2020
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 Vimal Chadha	Director	Appointed on 20th January 2020
6	Eng. Richard Mbogo	Director	Appointed on 1st July 2020
7	Mr James Njeru Mubothi	Director	Retired on 9 th February 2022
8	Dr Johannes Njagi Njoka	Director	Appointed on 26 th February 2021
9	Ruth Ndirangu	Director	Retired on 28 th June 2021
10	Eng. Felix N. Mutuura	Managing Director	Exited on 9 th December 2021
11	CPA Dickson Kinyua Njiru	Ag. Managing Director	Appointed 15 th October 2021

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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

Co-operative Bank of Kenya
P.O. Box 1337 -60100
EMBU, KENYA

Equity Bank
P.O Box 1994-60100
EMBU, KENYA

Post Bank
P.O Box 30311-60100
EMBU

Kenya Commercial Bank
P.O Box 75-60100
EMBU, KENYA

Independent Auditors

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

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Principal Legal Advisers

Njeru Ithiga Advocates
P.O Box 1768-60100
Embu

Ahmednasir Abdullahi Advocates LLP
P.O Box 57731-00200
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Kabathi and Company Advocates
P.O Box 21413 -00100
Nairobi

Ireru & Company Advocates
P.O Box 1268-00200
Nairobi

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II THE BOARD OF DIRECTORS

PHOTO	NAME AND DESIGNATION
	Rt. Rev. Dr. Samuel Nginye Board Chairman Date of Birth: 1964 Qualifications • Honorary Degree of Church Leadership • Bachelor of Bible Theology • Certificate in African Missionary training Course Experience 30 years of experience as an ordained Minister with Redeemed Gospel church.
	Vimal Chadha Director Chairman Technical Committee Date of Birth: 1962 Qualifications Diploma in Reflection and Optometry Certified Integrity liaison officer Experience 36 years as an optician practice in Kenya Chairman of several social organizations Member of boards to several institution Former Councillor in Embu Municipality
	Dr Winnie Gacugu Njeru Director Chairman Finance, Administration & Strategy Committee Date of Birth: 1968 Qualifications • PhD Business Administration • Master in Business Administration • Bachelor of Science (Business Administration) Experience Over 20 years corporate experience, academician, researcher, consultant in business management and community service provider.
	Rev. Mercy Muringo Njagi Director Member, Technical Committee Date of Birth: 1984 Qualification • Bachelor of Divinity • Diploma in Theology • Certificate in mediation Experience With wide experience as a clergy with Anglican Church of Kenya

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Edwin Mukundi Njururi

Director

Chair Audit, Risk & Compliance Committee

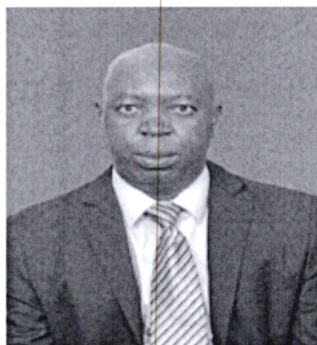
Date of Birth: 1974

Qualifications:

- Master of Science (Management and Organizational Development)
- Bachelor of Science (International Business Administration)
- Diploma in Business Management
- Full Member Kenya Institute of Management (MKIM).
- Internal Auditor course on ISO 9000:2000 – Quality Management Systems, ISO 22000:2005 Food Safety Management Systems and SAP Process Control - Controls and Risk Standardization Platform (CRISP)

Experience

Has as a wide experience in Accounting, Financial and General Management in Manufacturing, Global Logistics, Agro processing, Financial Reporting, Management accounting and Reporting for Shared Services, Treasury Accounting, Customer Accounting & Automation, and Planning for Management Information Systems Roll out (ERP), Financial and Systems Audit.



CPA Damiano Muthee

County Chief Officer, Finance & Economic Planning

Director

Member of Audit, Risk & Compliance Committee

Date of Birth: 1974

Qualification:

- Certified Public Accountant of Kenya
- Certified Public Secretary of Kenya

Experience

With extensive experience as an accountant, and over 9 years with County Government of Embu holding various portfolios as Chief office of Finance & Planning



Eng. Richard Mbogo

County Chief Officer, Land, Physical planning, Urban Development & Housing, Water & Irrigation, Environment & Natural Resource Sanitation

Director

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

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	Dr Johannes Njagi Njoka Director Member Audit Risk and Compliance Committee Date of Birth: 1964 Qualification • PhD Medical Education • Master of Philosophy (Educational Psychology) • Bachelor of Education (Arts) 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
	CPA Dickson Kinyua Njiru Head of Audit Risk & Compliance (July – September 2021) Ag. Managing Director (October 2021 – To Date) Qualifications • Master of Science (Finance & Accounting) • Bachelor of Business Administration (Finance & Accounting) • Certified Public Accountant of Kenya • 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
	Richard Gikuhi Company Secretary A Certified Public Secretaries of Kenya (CPSK) Representing Gikuhi Kiana A Certified Public Secretaries of Kenya (CPSK), membership N0 285 as required by Mwongozo Code Experience: With over 30 years practicing as a Company Secretary with bias in water companies

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III MANAGEMENT TEAM

	Position
	CPA Dickson Kinyua Njiru Head of Audit Risk & Compliance (July – September 2021) Ag. Managing Director (October 2021 – To Date) Qualifications • Master of Science (Finance & Accounting) • Bachelor of Business Administration (Finance & Accounting) • Certified Public Accountant of Kenya • 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
	CPA Doris Njiru Head of Finance & Commercial Services Qualifications • Master of Business Administration • Bachelor of Commerce (Finance & Banking) • Certified Public Accountant of Kenya - M/No. 8120 • Certified Public Secretary of Kenya • Registered member of the Institute of Certified Public Accountants of Kenya in good standing • Senior Management Course Experience: Over 22 years in both NGO & Public institution. Over 13 years in management which includes 8 years in EWASCO
	Eng. Joshua Oria Qualification • Bachelor of Technology (Civil & Structural Engineering) • Masters of Science (Urban Water & Sanitation) • Registered Engineer a member of the Institution of Engineers of Kenya Experience: Over 17 years out of which 14 years is in water sector

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	CPA Emily Njeri Mbangua Ag. Head of Audit Risk & Compliance Qualifications 1. Bachelor Business Administration (Finance) 2. Certified Public Accountant of Kenya 3. 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 12 years in Water Services industry
	Pauline Njeru Ag. Head of Corporate Services (July 2021 – Oct 2021) Qualification: 1. Master of Business Administration 2. Bachelors of 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

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IV CHAIRMAN'S STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

On behalf of the Board of Directors, I present the year 2021/2022 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 2,025 km².

Shareholding

The Company is 100% owned by Embu County Government.

Board of Directors.

EWASCO Board is made up of nine directors comprising of two from the County Government and seven distributed among the sub-County of Embu. 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 (2021-2026).

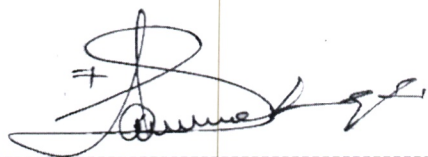
During the year the Board held several meetings which met the threshold of the required minimum of quarterly meetings. The board played the oversight and policy making roles. Therefore, the company business executed with due diligent and always ensuring the interests of the shareholder are taken care of. The company held two stakeholder forums, one for validation of the strategic plan for the period 2021 - 2026 and the second one for the planning of the AGM and appointment of the selection committee 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. 423.3 million which is a decrease from the previous year total of Kshs. 721.5 million. In previous year the Company received a grant of Kshs 294.1million comprising of subsidy received of Kshs 272.2million from the sewerage project not received in current period, in addition; a conditional liquidity support grant (CLSG) grant from WSTF amounting to Kshs 17.5 million and donation in kind for chemicals from WSTF amounting to Kshs 4.4 million. The income for the year includes income from grant amounting to Kshs 13.2 million comprising of the grant of Ksh 9.2 million received from WSTF under conditional liquidity support grant (CLSG) and Kshs 4 million from the Embu County government to improve on company structure.

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 NGINYI
CHAIRMAN, BOARD OF DIRECTORS

EMBU WATER AND SANITATION COMPANY

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V REPORT OF THE MANAGING DIRECTOR FOR THE YEAR ENDED 30 JUNE 2022

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 the management of the Company through stakeholder forums which nominates 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 1,200 km², while the mandated area has increased from 80 km² to 2,025 km² through public demand. The population served has increased to about 232,000 by June 2021. These improvements in coverage have been funded by various partners such as The Embu County Government. The 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 built in the late 70's that could not be further expanded due to geographical limitations and space availability. However, the treatment meets the standards set by NEMA and WASREB at the point of effluent discharge into Rupingazi river. The old sewer covers some parts of town centre, 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 in the financial year 2018/2019, was completed and operationalized by December 2020. This was realized through Commercial loan facility offered by Co-operative bank with help of WSTF under output-based aid (OBA) sponsored by World Bank. The areas served by the new sewer plant are sewerage extension are Dallas, Blue Valley, Kanjuru and parts of Majimbo estates. The total installed sewerage capacity is 6,500m³. The current Sewerage coverage for the company stands at 36% in Embu town.

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:

- The current tariff change was implemented in September 2020
- Water supply network has not substantially increased due to scarce resources.
- It is to be noted that costs have continued to grow at a higher rate than income.

2.4 OPERATING CAPACITY

The operating capacity of the Company has continued to be enhanced. Appropriate and advanced IT software / hardware are continuously being 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 performance through better monitoring of the meter readers and their work ensuring more accurate and timely billing data. Transport has been improved; we have a fleet of thirteen vehicles and 62 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
- 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

Sewage

- Only about 36% of eligible population in Embu town is provided with sewerage services; water related diseases remain a risk, this negates health gains realized from improved water supply.
- Lack of wayleaves and encroachment onto the road reserves hamper sewer line construction
- High initial costs of sewer infrastructure slowing down the expansion programs
- Water Supply Pipe network
- No money to fund proposed 700 km of various pipelines to unserved and underserved areas.
- Unmet demand of 42,000 m³/day against EWASCO's maximum water production capacity of 28,000m³/day. There is urgent need to explore alternative sources of water to supplement the existing sources.
- Water theft and illegal water use in the Miraa growing areas through illegal irrigation and illegal connections. This is worsened by vandalism.
- 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 repealed water act is creating uncertainty in the water sector.

Operational matters

- High water losses resulting to non-revenue water (NRW)
- Aged infrastructure
- Vandalism
- Encroachment into road reserves
- Unhealthy competition from other irrigation projects
- Damaging of the infrastructure by road contractors
- Unplanned developments

4.0 THE WAY FORWARD

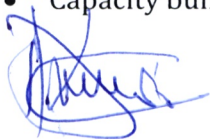
The future of the Company is good assuming that the dynamism in the operating environment is managed. The Company has potential to provide water and sanitation services to the entire mandated area; and in line with Company's Strategic Plan for 2021-2026. The key areas that the Strategic Plan focuses on include: -

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- 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 50,000,000 m3 dam.
- Addressing water theft and illegal water use through alternative water sources and legislation
- Development of additional treatment plants and alternative water sources such as boreholes
- Mobilize resources to undertake massive network expansion programmes
- Capacity building of staff to deal with emerging challenges



CPA Dickson Njiru

AG. MANAGING DIRECTOR

EMBU WATER AND SANITATION COMPANY

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2021/2022

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 2021-2026.

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:

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KRA	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
KRA 1: INFRASTRUCTURE DEVELOPMENT	1.To increase water production capacity from 30,000 M ³ /day in 2021 to 55,000 M ³ /day by 2026	- Land ownership documents - Treatment works design documents - Signed financing agreement - Treatment plant construction work undertaken 2 No. distribution tanks constructed (1,200 and 3,000 cubic meters)	- Identify and procure land for the Kanyuambora water treatment system - Undertake detailed design review for Kanyuambora treatment plant - Source funding for construction - Construct of the treatment plant - Construction of storage, transmission and network	-Site identified -Procurement process initiated
	2: To increase water coverage area by connecting 30,000 by 2026	- Number of tanks constructed - Pipeline installation in Mbeere North, Mbeere South & Ena	- Construct five storage water tanks - Construct 20 km distribution lines to and from the storage tanks - Undertake distribution pipeline for Mbeere North & Ena	Distribution pipeline for Ena done
	3.Enhance social connection	- Pro-poor policy in place - Report on identified areas - Storage tanks social connections - No. of proposal - Plan implementation report	- Review pro-poor services policy - Survey to identify social connections - Develop funding proposal for social connections - Implement pro-poor services plan	-Draft Pro-poor policy in place -Social connections identified -Purchase storage tanks social connections
	4.To increase sanitation coverage from 20% in 2021 to 30% by 2026	3 Km of sewer lines rehabilitate/relocated - No. of customers connected - No. of meetings held to sensitize community	- Rehabilitation and relocation of sewer lines - Connect new customers to sewer - Hold community's sensitization meetings in the service area	Sewer connected 4 Sensitization meetings held

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	5. To enhance funding of water and sanitation infrastructure development	• Up to date database of potential funding partners • No of funding proposals submitted	▪ Undertake mapping of development partners ▪ Develop and follow up on funding proposals to development partners,	-Identified banks to partner with -3 funding proposals submitted to WSTF
KRA 2: WATER AND WASTEWATER QUALITY	1: To ensure compliance to drinking water quality standards (WHO and KEBS)	• No of sampling points • No. of planned samples collected and tested • No of samples submitted to an external laboratory	▪ Identify strategic sampling points along the distribution network ▪ Establish accreditation requirements from KENAS ▪ Prepare the current laboratory for accreditation	-64 Sampling points identified -Sampling done thrice a week -Samples taken Water Resource Authority monthly
	2: To ensure compliance to wastewater standards (WRA and NEMA)	• No of times compound clearing and desludging is done • No. of random samples collected and tested • Monthly sewer surveillance report	▪ Undertake routine compound clearing, desludging ▪ Random sampling and testing ▪ Routine surveillance of network ▪ Equip sewer maintenance team with requisite tools/equipment	-Routine compound cleaning, - Sampling and testing done -Daily surveillance of network done
KRA 3: NRW MANAGEMENT	To reduce the NRW from 43% in 2021 to 20% by 2026	• Length of pipeline rehabilitated • Surveillance team in place • Pipeline surveillance report • No. of PRVs / BPTs installed • Meter policy in place • No. of meters replaced • Customer Identification Survey Report • Data clean up reports (Monthly) • Reviewed penalties in place • No. of community committees formed	▪ Identify all lines that require relocation ▪ Establish surveillance team ▪ Allocate transport ▪ Install Bulk/zonal meters ▪ Develop metering policy ▪ Replace the un-serviceable meters ▪ Customer identification survey ▪ Clean-up the database ▪ Prepare annual NRW reduction plan ▪ Train NRW unit	-Identified Muchonoke, ngiiri & Kaunda lines -NRW surveillance team in place -NRW vehicle -KCT -Draft metering policy in place -Meter replacement underway PRVs installed Data clean up done Annual NRW plan in place

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			- Implement the NRW framework - Water Committees incorporated	Water committees in place
KRA 4: OPERATIONAL EFFICIENCY AND CUSTOMER SERVICE	1.To Reduce Operational Costs to Total Revenue Ratio From 93% In 2021 To 70% By 2026	- ERP system in place and operational - ICT policy approved and adopted for use - No. of departmental SOPs, procedure manuals and quality manuals completed - Annual work plans, and budgets - Quarterly M&E reports - Annual financial reports - Annual audit reports - Procurement plan	- Implement an ERP System - Formulate an ICT Policy - Train employees on the use of ERP - Implement ICT security systems - Prepare SOP, procedure manuals and quality manual - Annual work plans - Annual budget - Quarterly M&E reports - Annual financial reports - Annual audit reports - Procurement plan	-ERP implemented -Draft ICT policy -All Staff trained -Admin policy, HRPM done -Annual workplans in place -Annual budget - - Procurement plan in place -Annual audit reports in place
	2: To increase customer satisfaction from 74% in 2021 to 85% by 2026	- Revised CSC in place - No of awareness meetings held - Communication policy in place - No. of EWASCO social media accounts - Level of updating/responding social media - Education materials published - Operational customer care centre - Customer satisfaction survey reports - Implementation of customer satisfaction survey - Report on customer care week	- Review customer service charter - Sensitize staff and customers on CSC provisions - Develop customer communication policy - Update of social media channels - Develop education materials - Provide timely feedback to customers - Conduct annual customer satisfaction surveys - Implement customer satisfaction surveys recommendations - Hold customer care week	-Service charter reviewed -Sensitization meetings held quarterly - Awareness channels used -Draft communication policy - 3 Social media accounts active -Education materials in place - Customer care week held
KRA 5: FINANCIAL SUSTAINABILITY	1: To increase revenue from Kshs 432M in	- Implement an ERP System - Formulate an ICT Policy - Update and integrate	- ERP system in place and operational - ICT policy approved and adopted	-ERP system in place -ICT policy in draft form -Billing system

EMBU WATER AND SANITATION COMPANY

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For the year ended June 30, 2022

	2021 to Kshs 619M by 2026	- customer billing system with the ERP - Train employees on the use of ERP	- for use - Updated and integrated billing system - No. of trained employees	- integrated -All Staff trained -Annual work plan, Approved budget in place
		- Prepare SOP, procedure manuals and quality manual - Prepare financial reports and statements - Coordinate and facilitate timely financial audits - Prepare list of disposable assets	- No. of departmental SOPs, procedure manuals and quality manuals completed - Approved financial management manual - Annual work plans, procurement plans and budgets - Quarterly M&E reports - Annual financial & Audit reports - List of idle and disposable assets	- Procurement plan in place - M&E reports done - List of idle items being developed
	2. To increase collection efficiency from 90% 2021 -98% 2026	- Meters readers using smart technologies - Level of compliance with bill dispatch timelines - Reviewed Debt Management Unit Structure - debt recovered - No. of Defaulters engaged, signed off - Revised penalties included in the new tariff structure - Reviewed debt policy	- Implement self-meter reading module - Maintain a regular meter reading and billing cycle - Dispatch bills on time - Restructure Debt Management Unit and recruit/deploy additional staff to do a debt recovery - Follow up of debts owed by government institutions - Send reminders to customers - timely disconnections - Review debt policy	-All meter readers using smartphones -Regular meter reading cycle -Bills dispatched on time -Unit restructured -Demand letters done to institutions -SMS reminders sent monthly -Debt policy reviewed

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KRA 6: CORPORATE GOVERNANCE AND STAKEHOLDERS ENGAGEMENT	1: To promote good corporate governance practices	• A board charter in place • No of board trainings conducted • Monthly internal audit/ compliance reports • Approved CSI policy in place	▪ Develop board charter ▪ Train board and management on good corporate governance practices ▪ Review and update risk registers ▪ Prepare a Corporate Social Investment (CSI) policy	Board charter in place -Board trainings done -Monthly internal audit reports -CSI policy in place
	3: To enhance stakeholder's management	• No of Meetings Held • Post information on the website • No. of the Reports published • No. of stakeholder's forum held	▪ Hold Annual General Meeting (AGM) Hold Stakeholder meetings yearly ▪ Regular information on the website	-AGM held -Two stakeholders held -Meetings, barazas
KRA 7: HUMAN CAPITAL MANAGEMENT	1.To recruit, develop and retain a motivated and productive team	• Signed contracts in place • Organization structure and Job Evaluation Report • Level of job evaluation recommendation implementation	▪ Recruit motivated team ▪ Hire consultant for organization and grading structure review ▪ Conduct organization structure review and job evaluation ▪ Implement recommendations of the Job Evaluation Exercise	- Staff contracts file -Consultant hired and work on going -JE assignment consultant in place
	2.Increased productivity	• Approved training programme and budget • Performance management.	▪ Prepare annual training programme ▪ Implementation of PM	Training program in place PM implemented
	3.Well compensated and motivated employees 4. Motivated & Productive staff	• Staff with signed PCs • staff appraised every 6 months • Revised HR manual • Employee satisfaction reports • No. of team building activities • Number of sports activities • No. of intern recruited	▪ Train staff members on the PFM ▪ Sign performance contracts ▪ Appraise staff performance every 6 months ▪ Review the HR & OSH policy ▪ Employee satisfaction surveys ▪ Carry out team building activities ▪ Internship programme	-Staff trained on PFM -Signed PCs filed -HR & OSH policy developed -Team building carried out -35 Interns boarded -Sports carried out

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VII. CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED JUNE 30 2022

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 company 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 of 7 members nominated by respective stakeholder institutions and two representatives of the Embu County Government.
- The Managing Director sits in the board as a secretary.
- The Directors are appointed for a term 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 & Strategy 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, corporate and financial progress quarterly reports.
- Audit reviews and quarterly reports.

During the year, the Board held a retreat at Nakuru for the Directors with management, they also accompanied staff during WASCA games in Kisumu and held retreat on special assignments at Nokras hotel Muranga.

Composition of the Board of Directors

The Board is chaired by Rt. Rev Dr. Samuel Nginyi 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

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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.

Finance, Administration & Strategy Committee

The committee is chaired by Director Dr. Winnie Gacugu, and includes Director Mercy Njagi 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, procurement 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 Dr Johannes Njoka and Director CPA Damiano Muthee. The Committee secretary is the Head of Audit, Risk and Compliance. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the Company's financial reporting principles, policies, controls, procedures and its auditing activities. The audit committee meets and reviews reports from the Head of department detailing major findings on internal audit, 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 one on presentation and validation of the strategic plan and the other on preparation of the annual general meeting and appointment of the selection committee.

The analysis of the board meetings held during the period are summarized below:

No.	Director's Name	No. of Meetings Attended				AGM
		Full Board Meetings	Special Board Meetings	Committee Meetings	Trainings/ Workshop/ Games	
1.	Rt. Rev. Samuel Nginyi	6	23	11	7	1
2.	Edwin Mukundi	6	22	12	7	1
3.	Dr. Winnie Njeru	6	19	13	7	1
4.	Vimal Chadha	6	20	15	7	1
5.	Rev. Mercy Muringo	6	20	7	7	1
6.	Eng. Richard Mbogo	6	18	5	7	1

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7.	Damiano Muthee	4	11	8	7	1
8.	Ruth Ndirangu	1	0	0	4	0
9.	James Mubothi	2	13	10	0	0
10.	Dr. Johannes Njoka	2	13	1	4	0
11.	Jayne Ndegi – CEC Water & Lands	3	16	0	7	1

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 on rotation. Members retire 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 has an approved board Charter in place

Appointments of Board Members

Whenever there is a vacancy in the Board, the vacancy will be advertised in the 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

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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.

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 remuneration for their services are approved by shareholders in an 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

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Managing Director's per diem whenever they are conducting or attending organization's business outside its area of jurisdiction necessitating sleep over.

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.

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.

EWASCO has endeavoured to manage the situation. 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 FY2021/2022 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. The water supply coverage has improved to 1,200 km², while the mandated area has increased from 80 km² to 2,025 km² through public demand. The population served has increased to about 232,000 by June 2021. These improvements in coverage have been funded through grant, donations, own generated fund and commercial funding through various partners such as The Embu County Government. The Community, Bank Loans, WSTF, CDF, TWWDA, GOK, KWS, KENGEN, World Bank grant, EWASCO and by grant in Aid by JICA.

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 cover 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 2016; the Kenya constitution 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

There was no major investment on going during the year apart from extension at Ena- Kavangua line that was done 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 VAT refund claim had not been concluded as at the year end.

The company also had a long-term financial obligation for commercial loan obtained to finance the Sewerage project which was cleared in the period under review.

IX. ENVIRONMENTAL & SUSTAINABILITY REPORTING THE YEAR ENDED JUNE 30, 2022

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 ponds 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 truck is licensed by the NEMA and both sewer treatment plants are licensed by NEMA, 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

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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 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 manhole covers, 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 in tree planting activities in Kiangombe in partnership with ministry of forestry and also over 500 trees were planted at the new sewerage plant.

iii) Employee Welfare

The Company recognizes that health, safety and training, play a key role in ensuring our employees commitment to responsibility in the workplace and a working environment in which personal and employment rights are upheld. Effective policies and procedures are aligned with Company needs and 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's business is to supply treated domestic water and sanitation services which are 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 procurement of goods and services to ensure competitive bidding and quality of product or 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 honors 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 sensitization on company activities, strategic

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plan validation, among others. This is done through customer or supplier sensitizations from time to time.

- 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, the company operated the customer service operations in all out-satellite offices. 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 endeavored 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 109,000.

The company recognizes co-existence with others 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 through payment of referees' fees during league games. During the year the company was represented in various sporting activities such as various football leagues, Dart friendly competition, squash friendly competition. The company also took part in water companies (WASCO) game where 7 disciplines were presented namely darts, pool, squash men and women, ajua, football and badminton.
- **Education:** The company Sponsored Mini program at Kenya National Library of Embu,
- **Health:** The company supported County activity on tree planting and health camp in areas of Rwika through provision of mobile toilets.
- **Environment:** Guided by Government directive on National Tree Planting Campaign, the Company undertook initiative of planting 500 trees at new sewerage plant to improve on the environment. The Company has also been involved in town beautification project by Embu County through provision of water for watering flowers, piping 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.

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- Social events: Over the years the company participates in social events of whichever nature such as Agricultural Society of Kenya (ASK) Show, national holidays such as Madaraka day and jamhuri day, disability day.
- Stakeholders: The company actively encourages open communication with stakeholders. Principally through the board, the company endeavors 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 held the Annual General Meeting (AGM) in period 2021/ 2022 where the stakeholder representatives are given 21 days notices of AGM. At the 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 and performance of the company.

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X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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 mandated area.

Results

The results of the company for the year ended June 30, 2022 are set out on page 33-57

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.

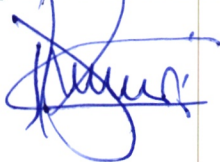
Directors

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



Secretary of the Board

Date 28/09/2022

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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, 2022. 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, 2022, 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

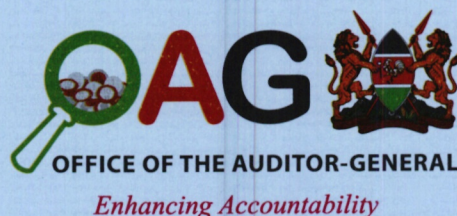
The Embu Water and Sanitation Company's financial statements were approved by the Finance Administration and Strategy Board Committee on 28th September 2022 and signed on its behalf by:



Rt. Rev. Dr. Samuel Nginyi
CHAIRMAN OF THE BOARD

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON EMBU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Embu Water and Sanitation Company Limited set out on pages 33 to 65, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

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

In my opinion, 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 Embu Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and do not comply with the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Adverse Opinion

1. Unsupported Bank Balance

The statement of financial position and as disclosed in Note 24 to the financial statements reflects a cash and cash equivalents balance of Kshs.27,274,974 which includes a balance of Kshs.3,141,740 held in the Postal Corporation of Kenya. However, the amount was not supported by a bank confirmation certificate, bank reconciliation statement and bank statements.

In the circumstances, the accuracy and completeness of the balance of Kshs.3,141,740 could not be confirmed.

2. Unsupported Revenue - Other Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.27,745,035 in respect to other income which includes Kshs.4,000,000 relating to a donation from Embu County Government. However, Management did not provide any document to show the amount and nature of the grant involved. Further, out of the amount of Kshs.4,000,000 received, Management utilized Kshs.3,973,716 for purchase of pipes for Evurori water project. However, procurement records including letter of award and acceptance by the successful bidder, regret letters to the unsuccessful bidders and a signed contract agreement between the Company and the supplier were not provided for audit review.

In addition, the pipes were not taken on charge as required by Regulation 93(3) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the goods procured shall be taken on charge by the officer responsible for the stores after the user department has confirmed the quantity and quality of the goods, works or services, before they are issued to the respective user department.

In the circumstances, the accuracy, completeness and value for money for the donation amount of Kshs.4,000,000 could not be confirmed.

3. Unsupported Expenditure

3.1 Unsupported Establishment Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 16 to the financial statements reflects an amount of Kshs.130,297,290 in respect to

establishment costs, which includes Kshs.4,740,370 in respect to security which further includes Kshs.3,395,361 paid to a firm for provision of security services. However, it was not clear how the firm was identified as the Management did not provide records including advertisement, tender opening and evaluation minutes, professional opinion, letter of award and regret letters in respect to the contract.

In the circumstances, the accuracy and propriety of expenditure of Kshs.3,395,361 could not be confirmed.

3.2 Unsupported Maintenance and Production Costs

The statement of profit or loss and other comprehensive income and as disclosed in Note 17 to the financial statements reflects an amount of Kshs.60,167,847 in respect to maintenance and production costs which includes Kshs.4,195,895 paid to Water Resources Management Authority (WARMA) as water abstraction fees and permit renewal for the year under review. However, this was not supported by invoices and account statements from WARMA and the respective meter readings in respect to abstraction of water.

In the circumstances, the accuracy and propriety of the expenditure of Kshs.4,195,895 could not be confirmed.

3.3 Unsupported Expenditure on Fuel

The statement of profit or loss and other comprehensive income and as disclosed in Note 16 to the financial statements reflects an amount of Kshs.130,297,290 in respect to establishment costs, which includes Kshs.7,792,367 in respect to fuel and oil which further includes Kshs.5,930,585 paid to a firm for the supply of fuel. However, there were no records to show how the firm was identified including tender advertisement, tender opening minutes, letters of award and acceptance. In addition, the contract agreement provided for audit review did not specify the contract period hence casting doubt on the validity of the agreement.

In the circumstance, the accuracy and completeness of the expenditure of Kshs.5,930,585 could not be confirmed.

4. Unsupported Kenya Revenue Authority (KRA) Refund Claims

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a trade and other receivables balance of Kshs.294,121,792 which includes Kshs.31,519,506 in respect to KRA refund claims. However, Management did not provide a schedule to show the breakdown of the KRA refund claims. Further, review of the KRA itax ledger revealed that as at 30 June, 2022, the Company had credits totalling Kshs.73,548,119 resulting in an unreconciled variance of Kshs.42,028,613.

In addition, Management engaged a Consultant to determine the Company's tax claims. However, the Consultant did not provide the final report of the findings but instead produced a draft report which revealed a net refundable Value Added Tax (VAT) balance of Kshs.30,739,537 whereas the financial statements reflects a balance of Kshs.31,519,506 resulting in an unreconciled variance of Kshs.779,969.

Further, the Consultant's draft report reflects total non-claimable input VAT of Kshs.29,410,769 but no records were provided to show the composition or breakdown of the balance.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.31,519,506 could not be confirmed.

5. Unaccounted for Receivable - Cash Loss

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a trade and other receivables balance of Kshs.294,121,792 which includes Kshs.1,968,336 in respect to cash loss. However, Management did not provide a schedule detailing the cash loss and details on how the money was lost, the purpose of the funds and the officers involved. Further, Management did not provide details of any action taken to ensure timely recovery of the funds as envisaged in Regulation 63(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that adequate measures, including legal action where appropriate, are taken to obtain payment.

In the circumstances, the recoverability of the lost funds is doubtful.

The audit was conducted in accordance with 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 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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved income budget of Kshs.436,372,919 against a total expenditure budget of Kshs.451,759,755 resulting to a budget deficit of Kshs.15,386,836. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

The statement also reflects final income budget and actual on comparable basis of Kshs.436,372,919 and Kshs.423,260,840 respectively, resulting to under-funding of Kshs.13,112,079 or 3% of the budget.

Further, the Company incurred actual expenditure of Kshs.455,484,550 against an approved expenditure budget of Kshs.451,759,755 resulting to unauthorized over-expenditure of Kshs.3,724,795.

The under-funding may have affected planned activities and may have impacted negatively on service delivery to the public. In addition, the unauthorised over-expenditure of Kshs.3,724,795 constitutes irregular expenditure.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregularities in Procurement

1.1 Irregular Procurement of Accounting, Finance, Human Resource (HR) and Supply Chain Management System

The statement of financial position and as disclosed in Note 29 to the financial statements reflects a balance of Kshs.8,894,848 in respect to intangible assets which includes Kshs.3,765,917 paid to a firm for the supply, installation, training and commissioning of accounting, finance, HR and supply chain management system.

Further, according to the tender evaluation report, the lowest evaluated bidder quoted Kshs.7,034,240. However, the tender was awarded to the second lowest evaluated bidder at a tender price of Kshs.7,531,833 without any justification. In addition, Management did not provide for audit review a professional opinion from the head of procurement as required under Section 84(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.

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

1.2 Irregular Procurement of Firewall

The statement of financial position and as disclosed in Note 29 to the financial statements reflects a balance of Kshs.8,894,848 in respect to intangible assets which includes Kshs.2,290,000 paid to a firm for installation of firewall. However, the notification of award was dated 15 April, 2021 and indicated that the successful bidder was to signify acceptance within fourteen days and that the contract between the parties was to be signed not more than thirty days from the date of notification of award. However, the contract agreement was signed on 8 June, 2021, which was more than thirty days after notification of award. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that the written contract shall be signed within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period.

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

1.2 Irregular Procurement of Cleaning Services

The statement of profit or loss and other comprehensive income and as disclosed in Note 18 to the financial statements reflects an expenditure amount of Kshs.2,483,385 in respect to other operating expenses which includes Kshs.2,347,692 for cleaning and hygiene which further includes Kshs.1,871,200 paid to a firm in respect to cleaning services. However, Management did not provide tender documents and framework agreement in respect to the contract. This was contrary to Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the existence of a contract shall be confirmed through the signing of a document incorporating all agreements between the parties and such contract shall be signed by the accounting officer or an officer authorized in writing by the accounting officer of the procuring entity and the successful tenderer.

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

2. Stalled Project - Fencing of Old Sewerage

The statement of financial position and as disclosed in Note 6 to the financial statements reflects a balance of Kshs.633,939,766 in respect to property, plant and equipment, which includes Kshs.39,182,372 in respect to additions during the year which further includes Kshs.3,264,233 paid to a firm for construction of a perimeter fence (chain link) at old sewerage, Mwiria intake works and Kangaru reservoirs. A site visit in the month of December, 2022 revealed that the fencing works at Mwiria and Kangaru were complete. However, fencing at Old sewerage plant had not commenced and the contractor was not on site, an indication that the project may have stalled.

The contract agreement revealed that the contract period for fencing the old sewerage plant lapsed on 20 September, 2022 and there was no evidence of application for contract extension. It was not clear why Management did not enforce performance of the contract within the contract period.

In the circumstances, value for money for the expenditure amount of Kshs.3,264,233 could not be confirmed.

3. Failure to Prepare and Publish Contract Awards

During the year under review, Management did not prepare and submit a report to the Public Procurement Regulatory Authority on preferences and reservations in compliance with Section 157(10) (12) (13) of the Public Procurement and Asset Disposal Act, 2015 indicating the number of youths, women and persons living with disability whose goods and services had been procured by the Company.

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

4. Failure to Prepare and Submit Quarterly Reports

The Management did not prepare and submit quarterly financial and non-financial statements in the format gazetted by the Cabinet Secretary within 15 days after the end of each quarter to the County Executive Committee Member responsible for water and

sanitation with a copy to the County Treasury and the Auditor-General. This was contrary to Regulation 207(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer of a County Corporation shall prepare and submit quarterly financial and non-financial statements in the format gazetted by the Cabinet Secretary within 15 days after the end of each quarter to the County Executive Committee Member responsible for the county corporation with a copy to the County Treasury and the Auditor-General.

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

5. Delay in Remittance of Tax

The statement of financial position and as disclosed in Note 28 to the financial statements reflects a balance of Kshs.22,821,847 in respect to taxation. The balance represents amount of tax liability accumulated from the previous years. The Management did not provide a breakdown of the tax liability and the period it has been outstanding. Further, no explanation was provided on why the Company failed to pay the tax when it fell due. This was contrary to Section 104(1)(e) of the Public Finance Management Act, 2012 which states that subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County Government including managing the County Government's public debt and other obligations and developing a framework of debt control for the County.

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

6. Lack of Deposit or Retention Account

The statement of financial position and as disclosed in Note 6 to the financial statements reflects a balance of Kshs.633,939,766 in respect to property, plant and equipment, which includes additions during the year of Kshs.39,182,372. Available records revealed that the Company entered into various contracts including construction works, refurbishment of buildings and office building works. The Company deducted 10% retention money from payments to contractors but the amount was not deposited in a separate retention account being contractors' money held awaiting performance of contract to completion. This was contrary to Section 145(1) & (2) of the Public Procurement and Asset Disposal Act, 2015 which states that the performance security shall be returned to the successful tenderer within thirty (30) days following the final acceptance by the accounting officer of the procuring entity

In the circumstance, contractors' retention money may be applied to other expenses hence not readily available to be paid to contractors whenever due.

7. Non-Adherence to Ethnic Balance

The statement of profit or loss and other comprehensive income and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.169,636,663 in respect to staff emoluments. However, review of the staff establishment revealed that the Company had one hundred and sixty-three (163) staff members out of which one hundred eighteen (118) staff members were from the same ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

8. Non-Implementation of Recommendations of Oversight Bodies

The County Assembly of Embu invited Embu Water and Sanitation Company Limited to appear before the Assembly's Public Accounts and Investments Committee vide a letter dated 1 February, 2021 for discussion of the Auditor-General's report for the period ended 30 June, 2018. The Committee made recommendations through a report dated 30 July, 2021 which were supposed to be implemented within sixty (60) days pursuant to standing order No.195. However, there was no evidence that the Management implemented the recommendations. This was contrary to Section 53(1) of the Public Audit Act, 2015 which states that the relevant accounting officer of a state organ or public entity shall within three months after Parliament has considered and made recommendations on the audit report take the relevant steps to implement the recommendations of parliament on the report of the Auditor-General or give explanations in writing to the Assembly on why the report has not been acted upon.

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

9. Non-Revenue Water (NRW)

During the year under review, the Company produced 7,705,097 M³ of water out of which only 4,803,192 M³ was billed valued at Kshs.310,274,729. The balance of 2,901,905 M³ or 38% of total volume of water produced represent non-revenue water which is higher than the acceptable industrial sector benchmark of 25% as stipulated in the Water Services Regulatory Board (WASREB) Impact Performance Report No.13/2021 which states that the acceptable sector benchmark for non-revenue water is between 20% to 25%. The high volume of NRW represents unaccounted for water valued at approximately Kshs.187,172,873 (at an average cost of Kshs.64.50 per unit) which is a loss to the Company. This may affect the Company's long-term sustainability.

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 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 of Conclusion

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

The Company did not have an approved ICT policy. In the absence of an approved ICT policy, the Company did not have clear guidelines in respect to data security, backup plans, password and user account management and disaster recovery plans as required under Section 149(2)(c) of the Public Finance Management Act, 2012 which states that a public entity should always ensure that all its records, financial or otherwise kept in electronic form are adequately protected and backed up.

In the circumstances, the security and reliability of the Company's data including the management information system could not be confirmed.

2. Lack of Risk Management Policy

During the financial year under audit, the Company did not have an approved risk management policy contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the Management may not have a mechanism to identify operational risks including fraud in order to timely respond and address them.

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.

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 (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of intention to liquidate the Company or to cease its 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 are responsible for overseeing the financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

25 April, 2023

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2022

XII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2022

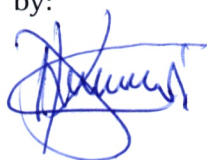
	Notes	2022 Kshs	2021 Kshs
INCOME			
Turnover-(Water, Sewer and Meter rent) ✓	8	385,716,788	392,742,282
Water & Waste Water Related Income ✓	9	9,089,018	15,329,640
Exhauster Income	10	710,000	869,000
Other Incomes	11	27,745,035	312,639,204
TOTAL INCOME		423,260,840	721,580,126
EXPENSES			
Administration Expenses	12	46,694,066	36,967,647
Staff Emoluments	13	169,636,663	138,125,538
Other staff Related Expenses	14	27,644,648	23,437,858
Board Expenses	15	13,678,834	15,859,864
Establishment cost	16	130,297,290	133,149,938
Maintenance & Production Cost	17	60,167,847	46,252,299
Other operating expenses	18	2,483,385	2,669,956
Finance costs	19	4,881,817	30,545,564
TOTAL EXPENSES		455,484,550	427,008,665
Surplus Before Taxation		- 32,223,710	294,571,461
Less: Non Taxable income	20	26,786,932	305,239,053.00
Taxable income		- 59,010,642	- 10,667,592
Taxation		-	-
SURPLUS AFTER TAXATION		- 59,010,642	10,667,592

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2022

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	NOTES	2022 KSHs	2021 KSHs
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	6	633,939,766	684,249,614
Intangible assets	29	8,894,848	1,865,091
Total Non - Current Assets		642,834,614	686,114,706
CURRENT ASSETS			
Inventory	22	35,984,898	28,080,744
Trade and Other Receivables	23	294,121,792	277,898,762
Cash and Cash Equivalents	24	27,274,974	81,456,286
Total Current Assets		357,381,664	387,435,792
TOTAL ASSET		1,000,216,278	1,073,550,498
EQUITIES & LIABILITIES			
CAPITALS & RESERVES			
Share Capital	21	100,000	100,000
Retained Earnings	30	385,637,800	417,861,509
Revaluation Reserve	26	150,665,469	150,665,469
Total Capital & Reserves		536,403,269	568,626,978
NON CURRENT LIABILITIES			
Deferred Income (Capital Grants)	33	141,737,388	155,282,695
OBA Loan	34	-	59,223,119
Total Non Current Liabilities		141,737,388	214,505,814
CURRENT LIABILITIES			
Payables and Accruals	27	299,253,775	267,595,859
Taxation	28	22,821,847	22,821,847
Total Current Liabilities		322,075,621	290,417,706
TOTAL EQUITIES & LIABILITIES		1,000,216,278	1,073,550,498

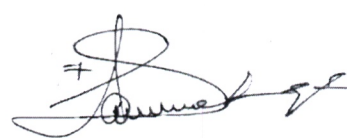
The Embu Water and Sanitation Company's financial statements were approved by the Finance Administration and Strategy Board Committee on 28th September 2022 and signed on its behalf by:



CPA DICKSON NJIRU
AG MANAGING DIRECTOR



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



RT. REV. SAMUEL NGINYI
CHAIRMAN OF THE
BOARD

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022

	Share Capital kshs	Revaluation Reserves kshs	Retained Earnings(Restated) kshs	Total kshs
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	417,861,508	568,626,977
2022				-
At 01/07/2021	100,000	150,665,469	417,861,508	568,626,977
Total Comprehensive Income			- 32,223,710	- 32,223,710
AT 30/06/2022	100,000	150,665,469	385,637,799	536,403,268

EMBU WATER AND SANITATION COMPANY**Annual Reports and Financial Statements****For the year ended June 30, 2022****XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022**

		2022	2021
	NOTES	Kshs	Kshs
Surplus for the year		-32,223,710	294,571,461
Adjustments for :			
Re-instated Surplus	35	0	-88,294,063
Depreciation	6	89,492,223	96,251,456
Amortisation of intangible assets	29	3,812,078	799,325
Less deferred Income & Decrease in provision	11	-13,545,307	-15,467,130
Surplus before changes in working capital		47,535,284	287,861,049
Changes in working Capital			
(Increase) / Decrease in Trade and Other Receivables		-16,223,029	35,615,489
(Increase) / (Decrease) in Trade & Other Payables		31,657,915	12,015,818
(Increase) / Decrease in Trade Inventory		-7,904,154	-10,105,902
Cash Generated from the Operating Activities		7,530,732	37,525,405
Net Cash Generated from Operating Activities		55,066,016	325,386,454
Investing Activities			
Purchase of non- current assets	6	-39,182,374	-87,238,522
Purchase of Intangible assets	29	-10,841,835	-1,644,593
Net Cash Generated from Investing Activities		-50,024,208	-88,883,115
Financing Activities			
OBA loan	34	0	32,630,549
Loan repayment	34	-59,223,119	-336,937,700
Net Cash Generated from Financing Activities		-59,223,119	-304,307,151
Increase in Cash and Cash Equivalents		-54,181,312	-67,803,812
Cash and cash equivalent			
At the start of the year	24	81,456,286	149,260,746
At the end of the year	24	27,274,974	81,456,286

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XVI. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR YEAR ENDED 30TH JUNE 2022

TURNOVER	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	Actuals on Comparable basis	Performance Difference	% BUDGET Utilization
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	
	Ksh	Ksh	Ksh	ksh	Ksh	
Water Charges	378,607,432	(60,340,680.00)	318,266,752	310,274,729	-7,992,023	-3%
Meter Rent	20,043,683		20,043,683	19,780,400	-263,283	-1%
Sewer Charges	64,398,270	(3,834,069.00)	60,564,201	55,661,659	-4,902,542	-9%
Water & Waste water Related Income	16,265,804	(7,226,597.00)	9,039,207	9,089,018	49,811	1%
Exhauster services	935,000	(216,200.00)	718,800	710,000	-8,800	-1%
Sub-total Turnover	480,250,189	- 71,617,546	408,632,643	395,515,806	- 13,116,837	-3%
OTHER INCOMES						
Donation	-	13,241,625.00	13,241,625	13,241,625	0	0%
Deferred Income	-	14,398,651.00	14,398,651	14,403,410	4,759	0%
Insurance Compensation Income		100,000.00	100,000	100,000	0	0%
Sub-total Other Income	-	27,740,276	27,740,276	27,745,035	4,759	
TOTAL INCOME	480,250,189	- 43,877,270	436,372,919	423,260,840	- 13,112,079	
ADMINISTRATION EXPENSES						
Provision for Audit Fees	675,000		675,000	675,000	0	0%
Consultancy fee	8,000,000	-	8,000,000	8,643,975	643,975	7%
Company Secretarial services	800,000		800,000	812,402	12,402	2%
Waspa meetings	725,000	(46,000.00)	679,000	679,190	190	0%
Subscriptions	260,200	(20,000.00)	240,200	236,100	-4,100	-2%
hospitality Meetings (stakeholders)	3,276,000	(1,726,000.00)	1,550,000	1,649,655	99,655	6%
Legal Expenses	10,860,000	19,090,300.00	29,950,300	29,946,098	-4,202	0%
WASREB-L Regulation fee	18,521,975	(14,300,000.00)	4,221,975	4,051,646	-170,329	-4%
TOTAL ADMIN EXPENSES	43,118,175	2,998,300	46,116,475	46,694,066	577,591	1%
STAFF EMOLUMENT						
Salaries	171,399,595	(33,336,265.00)	138,063,330	136,634,453	-1,428,877	-1%
Casual Wages	1,800,000	-	1,800,000	1,736,769	-63,231	-4%
Staff Medical Expenses	17,120,000	2,000,000.00	19,120,000	19,266,276	146,276	1%
Employer Contribution _pension	9,105,348	(1,500,000.00)	7,605,348	7,975,769	370,421	5%
Staff Gratuity	4,022,340		4,022,340	3,962,768	-59,572	-2%
Staff Subsistence	4,972,800	(1,000,000.00)	3,972,800	3,876,550	-96,250	-2%
Staff Teambuilding / Benchmarking	4,200,000	1,330,368.00	5,530,368	5,620,370	90,002	2%
Staff Ammenties	3,135,330	-	3,135,330	3,281,413	146,083	4%
Staff Training	13,686,500	(6,982,981.00)	6,703,519	6,797,822	94,303	1%
Staff End of the Year Party	1,500,000	(24,100.00)	1,475,900	1,472,903	-2,997	0%
Staff Longterm Service Award	100,000	(39,000.00)	61,000	60,628	-372	-1%
Staff Sports	4,484,700	2,381,600.00	6,866,300	6,595,590	-270,710	-4%
TOTAL STAFF EMOLUMENTS	235,526,613	- 37,170,378	198,356,235	197,281,310	-1,074,925	-1%
BOARD EXPENSES						
Directors Allowances	3,833,568	5,200,000.00	9,033,568	9,245,130	211,562	2%
Other Expenses(Travelling, Training & meals)	5,997,314	(4,200,000.00)	1,797,314	2,356,649	559,335	24%
AGM Expenses(and Shareholders conference)	2,080,000		2,080,000	2,077,055	-2,945	0%
TOTAL BOARD EXPENSES	11,910,882	1,000,000	12,910,882	13,678,834	767,952	6%
TOTAL ADMINISTRATION COSTS	290,555,670	- 33,172,078	257,383,592	257,654,210	270,618	0%

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ESTABLISHMENT COSTS				-			
Office Rent	480,000	(240,000.00)	240,000	235,818	-4,182	-2%	
Building Repairs and Maintenance	1,860,000	(1,403,000.00)	457,000	454,335	-2,665	-1%	
Computer Expenses	4,988,940	(2,718,000.00)	2,270,940	2,405,817	134,877	6%	
Insurance	3,073,466	524,184.00	3,597,650	3,556,546	-41,104	-1%	
Security	6,794,500	(1,687,783.00)	5,106,717	4,740,370	-366,347	-8%	
Utility (Water & Electricity)	2,140,709	730,000.00	2,870,709	3,062,670	191,961	6%	
Motor Repairs	6,581,876	(1,376,110.00)	5,205,766	5,199,205	-6,561	0%	
Motor Vehicle/Cycle Fuel and Oil	6,581,876	1,210,480.00	7,792,356	7,792,367	11	0%	
Postage and Delivery	1,320,000	(980,000.00)	340,000	331,796	-8,204	-2%	
Software Maintenance and Upgrading	2,825,125	(1,926,000.00)	899,125	898,758	-367	0%	
Telephone	2,610,000	676,040.00	3,286,040	3,239,080	-46,960	-1%	
Printing and Stationery	1,026,976		1,026,976	1,070,406	43,430	4%	
Advertising and promotion -(PR)	3,547,000	(1,836,000.00)	1,711,000	1,710,779	-221	0%	
Customer relation expenses	2,463,000	(1,820,000.00)	643,000	635,781	-7,219	-1%	
Corporate Responsibility	2,000,000	(1,892,500.00)	107,500	107,520	20	0%	
Supply Operations Costs	1,804,200	(210,636.00)	1,593,564	1,549,742	-43,822	-3%	
General office expenses	240,000	(238,000.00)	2,000	2,000	0	0%	
Depreciation		89,492,222.33	89,492,223	89,492,223	0	0%	
Amortisation for Intangible Assets		3,812,077.75	3,812,078	3,812,078	0	0%	
TOTAL ESTABLISHMENT EXPENSES	50,337,668	80,116,975	130,454,643	130,297,290	157,354	0%	
			-				
MAINTENANCE & PROD. COSTS			-				
Water Chemical Treatment	7,942,129	3,705,463.00	11,647,592	12,587,140	939,548	7%	
Operations & Maintatinance Treatment works	1,178,903	100,000.00	1,278,903	1,312,309	33,406	3%	
GIS Maintenance	3,135,000	(2,426,000.00)	709,000	708,419	-581	0%	
Quality Test	2,400,810	(2,200,300.00)	200,510	218,531	18,021	8%	
Water Supply System Repairs	31,420,449	133,582.00	31,554,031	34,251,522	2,697,491	8%	
Non Revenue Expenses	3,622,200	(2,783,445.00)	838,755	826,055	-12,700	-2%	
Sewer Expenses	4,487,340	(3,696,000.00)	791,340	832,481	41,141	5%	
Exhauster Services	1,142,863	320,000.00	1,462,863	1,385,073	-77,790	-6%	
Pro poor activities	1,500,000	(1,311,000.00)	189,000	188,500	-500	0%	
NEMA	600,000	(600,000.00)	-	-	0	0%	
OBA Admin Expenses		1,464,941.00	1,464,941	1,632,638	167,697	10%	
WARMA Abstraction fee	5,398,500	(1,049,528.00)	4,348,972	4,195,895	-153,078	-4%	
Protective gears	3,975,750	(1,900,000.00)	2,075,750	2,029,284	-46,466	-2%	
MAINTENANCE & PRODUCTION	66,803,944	(10,242,287)	56,561,657	60,167,847	3,606,190	6%	
			-				
OTHER OPERATING EXPENSES			-				
Cleaning and hygiene	2,542,580	(200,000.00)	2,342,580	2,347,692	5,112	0%	
Photocopier & Generator Expenses	300,000	(220,455.00)	79,545	76,766	-2,779	-4%	
Newspapers and periodicals	158,400	(99,500.00)	58,900	58,927	27	0%	
TOTAL	3,000,980	(519,955)	2,481,025	2,483,385	2,360	0%	
FINANCE COSTS							
Interest Charges	48,000,000	(44,945,162.00)	3,054,838	3,090,062	35,224	1%	
Bank charges , mpesa	1,824,000	-	1,824,000	1,791,756	-32,244	-2%	
TOTAL BUDGET	412,522,262	36,182,655	451,759,755	455,484,550	3,724,795	0.01	

XVII. 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.

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 AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both	The amendments are effective for annual periods beginning on

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Contracts - Cost of Fulfilling a Contract (issued in May 2020)	the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
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 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.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated conceptual framework) at the same time or earlier.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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		limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS Accounting Policies, Errors and Estimates	8-	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
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 application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii) Early adoption of standards

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

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.

- 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 arising from Covid – Conditional Liquidity support 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 Kshs 9,241,625. This was recognized in the books as donation under other incomes, and expensed directly in the books upon

Grant from County Government

During the period the company had a contract with County Government amounting to Kshs 7,996,780 towards Evurore project. However, during the period under review the company received grant worth Kshs 4,000,000 towards the project and we recognised the amount that we had reasonable assurance. This has been recognized under the incomes and the whole amount has been expensed in the statement of comprehensive income under maintenance and production costs.

- 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. EWASCO does not have investment in real estate to attract rental income
- vi) **Other income** are 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

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statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All 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. In the year under review, we had not capital work in progress as at the close of the period.

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 %

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's are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is 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.

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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. The inventory comprises of chemicals, pipes and fittings. Water is not part of the inventory.

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. The uncollectible amounts include adjustments of billings within the financial periods arising from estimates, wrong readings, burst waivers among others. 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,

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associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax 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 of Kshs 4,000,000 from Embu County Government
- Conditional Liquidity Support Grant (CLSG) – Grant received from WSTF to cushion water companies from impact of covid 19 to ensure continuous service delivery Kshs 9,241,625

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

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

q) Capital Grants and Amortisation.

Capital grants are grants used to acquire fixed assets in an organization, they are classified under non-current liabilities in our financial statements. These grants are amortized in the subsequent years at the rate of depreciation of the asset acquired. The amortization of the respective year is recognized in the statement of comprehensive income as deferred income.

r) 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.

s) 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.

t) 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.

u) Exchange rate differences

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

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v) Budget information

The original budget for FY 2021-2022 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. Accordingly, the entity recorded net additional appropriations of Ksh. 8,762,507 on the 2021-2022 budget following the governing body's approval.

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.

w) Comparative figures

During the financial year comparative figures have been reclassified on some line items to a more representative vote where Staff uniforms, advertisement and promotions; and corporate Image and branding related with promotion, public relations and branding aspect of the company to create awareness, publicity and brand of the company were combined together under Establishment Costs as Advertising and promotions.

Software maintenance & upgrading initially under administrative costs was reclassified under Establishment costs to align with the budget.

Summary of reclassifications for the period

NO	Line Item	Original 2020/2021 Line item	Reclassification 2021/2022 in	Amount
1	Staff Uniforms	Other Staff Costs – Note 14	Establishment Costs as Advertising and Promotion Note 16	Kshs 234,870
2	Software Maintenance & upgrading	Administrative expenses -Note 12	Establishment Costs - Note 16	Kshs 638,184
3	Advertisement & promotions	Other Operating Expenses -Note18	Establishment Costs as Advertising and Promotion Note 16	Kshs 697,432
4	Customer	Other Operating	Establishment Costs - Note	Kshs 800,965

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	Relations Expenses	Expenses -Note18	16	
5	Corporate Image & Branding	Other Operating Expenses -Note18	Establishment Costs as & Advertisements & promotions - Note 16	Kshs 533,600

x) 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 Kshs 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	CMEI 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 on going
8	Petition no 2 od 2022 – Elijah Wambugu Gakinya & Government of Embu & 5 others 27 th June 2022	Case on going
9	Embu petition No. 6 of 2022 - Joy Mukami, Ngungi and others V Government of Embu County & 8 others	Case on going
10	Milimani Petition E317 of 2022- James Gacheru Kariuki & 19 others Vs Water Services Regulatory Board & 69 Others	Case on going

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11	Nyeri E.L.R.C Petition No. E005 / 2022 – Felix G. Mutuura V EWASCO	Case on going
12	Kerugoya Constitutional Petition No. 1 of 2022 – Dr Johannes Njagi V EWASCO	Case on going

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.

Estimates and assumptions

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

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

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.

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6. PROPERTY, PLANT AND EQUIPMENT										
	Land	Office & Building	Motor	Computers	Equipment	Plant	Fixture	Water meters	Work in Progress	Totals
			Vehicles & Cycles	& Peripherals	& Equipment	& Machinery	& Fittings			
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
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
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		512,573,236
WIP									41,462,103.00	41,462,103
WIP Capitalized									- 466,796,816.22	- 466,796,816
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	-	1,238,854,479
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	-	458,353,409
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		96,251,456
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	-	554,604,865
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
2022										
As at 01.07.2021	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	-	1,238,854,479
Additional	1,820,040.00	6,016,966.42	8,800,000.00	3,504,499.00	680,000.00	5,738,985.20	7,420,077.00	5,201,804.22		39,182,372
TOTAL ASSETS	8,814,385.00	30,326,054.58	45,557,305.19	20,149,944.76	54,768,580.09	547,213,328.29	488,141,930.76	83,065,322.11		1,278,036,851
Dep as at 1.7.21	-	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	-	554,604,865
Charge for the year	-	520,166.04	3,973,902.84	1,971,916.40	1,518,505.55	53,601,509.32	22,114,012.16	5,792,210.02		89,492,222
TOTAL ACC DEP	-	4,837,918.46	33,635,596.68	15,548,806.49	44,139,041.27	172,002,763.05	333,343,845.65	40,589,115.31	-	644,097,087
As at 30.06.2022	8,814,385.00	25,488,136.12	11,921,708.51	4,601,138.27	10,629,538.82	375,210,565.24	154,798,085.11	42,476,206.80	-	633,939,764

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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

	2,022	2,021
	KSHS	KSHS
Water Charges	310,274,729	324,832,189
Meter Rent	19,780,400	18,978,300
Sewer Charges	55,661,659	48,931,793
	385,716,788	392,742,282

9 Water & Waste Water Related Income

New connections application fee	300,484	348,140
Meter testing & Meter Replacement	519,950	331,500
Reconnections	612,422	4,200,530
Labour charges	6,261,800	6,743,170
Miscellaneous- Reprint	128,220	174,410
Miscellaneous- illegal	15,000	
Miscellaneous- Bulk water sale	412,142	34,720
Miscellaneous- water test	54,000	82,750
Sewer connection fee	590,000	3,144,420
Dumping fee - Other exhausters	195,000	270,000
	9,089,018	15,329,640

10 Exhauster Income

Exhauster services	710,000	869,000
	710,000	869,000

11 Other Incomes

Insurance Compensation	100,000	61,000
Materials Charges	-	2,914,215
Decrease in provision of doubtful debts	858,103	-
Deferred Income (Grant Amortization)	13,545,307	15,467,130
Donations -Subsidy		272,263,549
Donations -CLSG	9,241,625	17,508,374
Donations- Chemicals pipes	4,000,000	4,424,936
	27,745,035	312,639,204

	37,544,053	328,837,844
TOTAL REVENUE	423,260,840	721,580,126

12 ADMINISTRATION EXPENSES

Provision for Audit Fees	675,000	675,000
Consultancy fee	8,643,975	3,033,249
Company Secretarial Services	812,402	970,979
Waspa meetings	679,190	383,760
Subscriptions	236,100	953,900
Hospitality Meetings (Stakeholders)	1,649,655	2,112,865
Legal Expenses	29,946,098	13,380,482
WASREB- Regulatory Levy	4,051,646	15,457,412
TOTAL	46,694,066	36,967,647

13 Staff Emoluments

Salaries	136,634,453	109,487,048
Casual Wages	1,736,769	2,032,391
Staff Medical Expenses	18,977,276	14,520,186
Employer Contribution-Pension	7,975,769	9,095,981
Provision for gratuity	3,962,768	2,628,532
Staff Baggage & longterm service award	60,628	70,000
Staff benevolent Employer	289,000	291,400
	169,636,663	138,125,538

14 Other Staff Costs

Staff CBA Expense	-	805,311
Staff Subsistence	3,876,550	3,024,890
Staff Teambuilding & Benchmarking	5,620,370	5,736,845
Staff Amenities	3,281,413	2,056,096
Staff Training	6,797,822	9,539,024
Staff End of the Year Party	1,472,903	943,800
Staff Sports	6,595,590	1,331,892
	27,644,648	23,437,858

15 Board Expenses

Directors Allowances	9,245,130	7,409,255
Other Expenses (travelling, training, meals)	2,356,649	7,085,029
AGM Expenses (and Stakeholders conference)	2,077,055	1,365,580
	13,678,834	15,859,864

TOTAL ADMINISTRATION COSTS	257,654,211	214,390,907
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16 ESTABLISHMENT COSTS		
Office Rent	235,818	360,368
Building Repairs and Maintenance	454,335	2,140,494
Computer Expenses	2,405,817	2,457,665
Software Maintenance and Upgrading	898,758	638,184
Insurance	3,556,546	2,889,951
Security	4,740,370	2,755,589
Utility (Water& Electricity)	3,062,670	2,239,128
Motor Repairs	5,199,205	5,666,696
Fuel and Oil	7,792,367	6,410,496
Mailing & Postage	331,796	410,199
Telephone	3,239,080	2,662,297
Printing and Stationery	1,070,406	1,318,796
Supply operations costs	1,549,742	1,036,000
Corporate Responsibility	107,520	378,850
Advertising and promotion-Corporate Image (PR)	1,710,779	1,465,902
Customer Relation Expenses	635,781	800,965
General office Expenses	2,000	20,139
Provision for Doubtful debts(increase)		2,447,439
Depreciation	89,492,223	96,251,456
Amortisation for Intangible Assets	3,812,078	799,325
TOTAL ESTABLISHMENT EXPENSES	130,297,290	133,149,938
17 Maintenance & Production Cost		
Water chemical treatment	12,587,140	11,084,085
Operations & Maintatinance works	1,312,309	1,559,280
GIS Maintenance	708,419	129,750
Quality Test	218,531	770,186
Water supply system repairs	34,251,522	21,081,404
Non revenue expenses	826,055	1,867,496
Sewer expenses	832,481	1,176,147
Exhauster expenses	1,385,073	1,254,884
Pro poor activities	188,500	69,500
Nema & KEBS	-	215,000
Protective gears	2,029,284	
OBA Admin Expenses	1,632,638	1,345,811
WARMA Abstraction fee	4,195,895	5,698,756
Total Maintenance & Production cost	60,167,847	46,252,299
18 Other operating expenses		
Cleaning and hygiene	2,347,692	2,291,607
Photocopier & Generator expenses	76,766	101,429
Newspapers and periodicals	58,927	276,920
Total	2,483,385	2,669,956
19 Finance costs		
Interest charges	3,090,062	28,746,754
Bank charges & Mpesa	1,791,756	1,798,811
Total Finance Costs	4,881,817	30,545,564
TOTAL EXPENDITURE	455,484,550	427,008,665
SURPLUS/(DEFICIT) FOR THE YEAR	- 32,223,710	294,571,461
20 LESS: NON TAXABLE INCOME		
Grants Income	13,241,625	289,771,923
Deffered Income	13,545,307	15,467,130
	26,786,932	305,239,053
SURPLUS FOR THE PERIOD	- 59,010,642 -	10,667,592

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Notes	2022 Kshs	2021 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	35,984,898	28,080,744
23 TRADE AND OTHER RECEIVABLES		
Trade debtors	254,184,365	271,346,416
Less: Specific provision for Bad Debts		
General provision for Doubtful Debts	12,709,218	13,567,321
Prior - Year adjustments for bills	-	22,510,265
Net Trade Debtors	241,475,147	235,268,830
Prepaid Insurance	12,581,938	1,533,304
KRA Refund claims	31,519,506	31,519,506
TWSB	659,225	659,225
Salary, medical & Business Advance	1,721,518	2,754,687
WASREB(licence bond)	3,836,844	3,835,596
Cash Loss	1,968,336	1,968,336
JICA Project	359,278	359,278
Total Trade & other Receivables	294,121,792	277,898,762

24 BANK AND CASH EQUIVALENTS

Cash at Bank	27,274,076	81,454,313
Cash in hand	898	1,973
	27,274,974	81,456,286

DETAILED ANALYSIS OF CASH & CASH EQUIVALENT

Financial Institution	2022	2021
	Ksh	Ksh
a) Current Account		
Equity Current Account	457,162	1,153,199
Equity 8th Call UPC current account	1,133,267	-
Coop Exhauster a/c	3,316,189	1,615,684
OBA Coop current account	4,931,647	41,236,123
Coop CLSG	-	7,645,933
KCB Current Account	835,877	837,194
Coop Current Account	2,395,568	6,196,736
Escrow	1,903,119	8,216,420
Sub Totals	14,972,829	66,901,288
b) Fixed Deposit Account		
Coop Fixed Deposit Account	2,257,371	2,709,968
c) Saving Account		
Coop Saving Account	6,503,442	8,514,256
Nawiri Saving Account	1,136	1,202
Sub Totals	6,504,579	8,515,459
d) Collection Account		
Post Bank	83,055	55,930
Postal Corporation	3,141,740	3,141,740
Sub Totals	3,224,795	3,197,670
e) Others (Specify)		
MPESA Mobile money Account	314,502	129,928
Cash at Hand	898	1,973
Sub Totals	315,400	131,901
Grand Totals	27,274,974	81,456,286

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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	116,757,273	103,857,350
Trade payables & Accruals	182,496,501	163,738,509
TOTAL TRADE AND OTHER PAYABLES	299,253,775	267,595,859
28 TAXATION		
Balance B/F	22,821,847	22,821,847
	-	-
Provision for the year	-	-
	22,821,847	22,821,847
29 INTANGIBLE ASSETS		
COST		
At July 2021	8,522,975	6,878,382
Additional	10,841,835	1,644,593
As at June 2022	19,364,809	8,522,975
AMORTISATION		
At July 2021	6,657,883	5,858,558
Charge for the Year	3,812,078	799,325
At June 30 2022	10,469,961	6,657,883
NET BOOK VALUE		
At June 30 2022	8,894,848	1,865,091
30 REVENUE RESERVES		
Bal as at 1st July 2021	417,861,509	211,584,111
Prior year Adjustment -KRA Refund Unclaimable	-	88,294,063
Profit for the year	- 32,223,710	294,571,461
Bal as At 30/06/2022	385,637,800	417,861,509
31 NUMBER OF EMPLOYEES		
The number of employees as at 30th June 2022 was	163	
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 1/7/2021	155,282,695	170,749,825
Deferred Income(Grant Amortization)	13,545,307	15,467,130
Bal as At 30/06/2022	141,737,388	155,282,695
34 OBA LOAN		
Bal as at 01/07/2021	59,223,119	363,530,270
Additional loan	-	32,630,549
Loan Repayment	59,223,119	336,937,700
Bal as At 30/06/2022	-	59,223,119
35 Prior - Year Adjustments (Note 31)		
VAT Unclaimable		65,783,798
Bills adjustments (Wrong billings / Estimates)		
Year 2016-2017		1,559,898
Year 2017-2018		2,360,033
Year 2018-2019		9,568,165
Year 2019-2020		9,022,169
Total Bills adjustments	-	22,510,265
Total Prior Year Adjustments	-	88,294,063

EMBU WATER AND SANITATION COMPANY**Annual Reports and Financial Statements****For the year ended June 30, 2022****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. 11,601,779

(b) WASREB- During the financial year the Company paid Kshs. 4,051,646 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 2022	Total Amount	Fully Performing	Past Due	Impaired
	KShs	KShs	Kshs	Kshs
Trade Receivable	241,475,147	156,958,845	84,516,301	0
Other Receivables	52,646,645	49,659,806	2,986,839	0
Bank Balance	27,274,974	27,274,974	-	0
Total	321,396,766	233,893,626	87,503,140	-
As at June 2021				
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 Balance	81,456,286	81,456,286	-	0
Total	359,355,048	274,023,819	85,331,229	-

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.

	LIQUIDITY RISK			
As at June 2022	Less than 1 Month	Between 1-3 Months	Over 5 Months	Totals
	KShs	KShs	Kshs	Kshs
Trade Payables	38,809,816	29,374,986	107,933,423	176,118,225
Employee Benefit	6,378,276	-	-	6,378,276
Total	45,188,092	29,374,986	107,933,423	182,496,501
As at June 2021				
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

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APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP ON AUDITORS' RECOMMENDATIONS

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

NO	AUDIT QUERY	MANAGEMENT RESPONSES	STATUS	TIME FRAME
1.	Cash and Cash Equivalent Balance	1. Postal corporation The balance of KShs 3.141,740.00 in the books was a balance that was not submitted by Postal corporation dated 2019. The company has been following with postal corporation and has made several visits made however the postal corporation has not cooperated. As a result, they have not provided us with bank statement to enable us do bank reconciliations nor issued us with confirmation certificate. We issued a last reminder letter with deadline of September 15, 2022, after which a legal action will be instituted against the Postal Corporation to enforce recovery. 2. The four (4) bank accounts which were classified as dormant include: a) KCB bank The has been dormant for years due to absence of a CR12, hence we could not change signatories from 2020. The delays in obtaining a CR12 certificate was due to failure to hold Annual General Manual over years. The Company finally held an AGM in May 2022, and the company secretary has since filed the Company returns after the AGM, and awaiting the resolution of the issue of CR12 and the issue of KCB Bank will be closed. b) Nawiri collection account The account was opened for collections for Kiritiri area. However, the Nawiri SACCO was not able to integrate with our systems. Consequently, the account was closed in 2017. Due to the formation, this being a SACCO related bank, when the account was opened just like other SACCO; after issuing closure instructions we noted the account was not closed because it had a non-refundable share capital of KShs 3,500. The management is working on the capital transfer process and approval to finalize account closure. c) Equity savings account This was opened when we started Kanyuambora project for customer deposits. The account was closed in 2021/2022 financial year	1.In Progress.	30/06/2023

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2	Long Outstanding Trade receivables	This matter arose due to the technicalities billing software. The current Billing software does not show the standard aging analysis in the prescribed format required by the auditors on individual debtors' categories. Instead, it only provides aging analysis as per the debtors' category but not for individuals. The management is already addressing the issue with the developer to realign the software output with the OAG requirements.	Resolved.	
3	Variance between VAT Ledger and Financial Statement Balances	The variance on VAT ledger arose because of the changes due to the amendment on the VAT claimable, where the balance in previous period amounted to KShs 97,303,304.00 and an amendment of KShs 65,783,798.00 was done for unclaimable VAT based on the audit report by the tax consultants Ernest & Martin. The consultants carried out a Tax consultancy services that established the VAT refund claimable from KRA and the unclaimable amount due to either lapse of time or not being applicable. This reduced our VAT ledger to KShs 31,519,506.00 and the respective journals have since been passed. The same was correctly adjusted in out ledgers.	In progress	30/06/2023

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4	Variances between the computerized system Balances and Financial Statement Balances	Turnover comprises billed incomes from water, sewer and meter rent which is consolidated monthly billing for the 12 months. Water related income comprises of various services requested by customer on demand which are recognized on payment, these include: application fee, Reconnection fee, labor, reprint, bulk water sale and water test. Wastewater related income comprises of exhauster income, sewer connection fee and dumping fee. Below is the analysis of income from Sulis system (the billing system) which is the source of data for pastel system and the same is compiled in the financial statement. <table><tr><th>Income Classification</th><th>Consolidated billing for 12 Months</th><th>Balance as per Pastel as at 30-6-21</th><th>Balance as per Financial statement as at 30-6-21</th></tr><tr><td>Turnover</td><td></td><td></td><td></td></tr><tr><td>Water billing</td><td>324,832,189.00</td><td>324,832,189.00</td><td>324,832,189.00</td></tr><tr><td>Sewer Billing</td><td>18,978,300.00</td><td>18,978,300.00</td><td>18,978,300.00</td></tr><tr><td>Meter rent Billing</td><td>48,931,793.00</td><td>48,931,793.00</td><td>48,931,793.00</td></tr><tr><td>Totals</td><td>392,742,282.00</td><td>392,742,282.00</td><td>392,742,282.00</td></tr></table> Water related income, Wastewater related income and other incomes <table><tr><th>Income Classification</th><th>CASHIER'S RECEIPT SUMMARY Between 01-07-2020 and 30-06-2021</th><th>Balance as per Pastel as at 30-6-21</th><th>Balance as per Financial statement as at 30-6-21</th></tr><tr><td>APPLICATION FEE</td><td>348,140.00</td><td>348,140.00</td><td>348,140.00</td></tr><tr><td>BILL REPRINT Miscellenious</td><td>174,410.00</td><td>174,410.00</td><td>174,410.00</td></tr><tr><td>NORMAL RECONNECTION</td><td>4,041,700.00</td><td></td><td></td></tr><tr><td>DISCONNECTION ON REQUEST</td><td>158,830.00</td><td></td><td></td></tr><tr><td>Reconnectios</td><td>4,200,530.00</td><td>4,200,530.00</td><td>4,200,530.00</td></tr><tr><td>LAB TESTS- miscellaneous water test</td><td>82,750.00</td><td>82,750.00</td><td>82,750.00</td></tr><tr><td>METER REPLACEMENT CHARGES</td><td>214,000.00</td><td></td><td></td></tr><tr><td>METER TESTING</td><td>117,500.00</td><td></td><td></td></tr><tr><td>Meter testing & meter replacement</td><td>331,500.00</td><td>331,500.00</td><td>331,500.00</td></tr><tr><td>METER TRANSFER</td><td>106,700.00</td><td></td><td></td></tr><tr><td>LABOUR CHARGES</td><td>6,636,470.00</td><td></td><td></td></tr><tr><td>LABOUR CHARGES & meter transfer</td><td>6,743,170.00</td><td>6,743,170.00</td><td>6,743,170.00</td></tr><tr><td>Miscellaneous- Bulk water sale</td><td>34,720.00</td><td>34,720.00</td><td>34,720.00</td></tr><tr><td>water related income total</td><td>11,915,220.00</td><td>11,915,220.00</td><td>11,915,220.00</td></tr><tr><td colspan="4">Waste water related income</td></tr><tr><td>DUMPING SERVICE</td><td>270,000.00</td><td>270,000.00</td><td>270,000.00</td></tr><tr><td>EXHAUSTER SERVICE</td><td>869,000.00</td><td>869,000.00</td><td>869,000.00</td></tr><tr><td>SEWER CONNECTION</td><td>3,144,420.00</td><td>3,144,420.00</td><td>3,144,420.00</td></tr><tr><td></td><td>4,283,420.00</td><td>4,283,420.00</td><td>4,283,420.00</td></tr><tr><td colspan="4">OTHER</td></tr><tr><td>FITTINGS- Material Charges</td><td>2,914,215.00</td><td>2,867,899.00</td><td>2,914,215.00</td></tr></table>	Income Classification	Consolidated billing for 12 Months	Balance as per Pastel as at 30-6-21	Balance as per Financial statement as at 30-6-21	Turnover				Water billing	324,832,189.00	324,832,189.00	324,832,189.00	Sewer Billing	18,978,300.00	18,978,300.00	18,978,300.00	Meter rent Billing	48,931,793.00	48,931,793.00	48,931,793.00	Totals	392,742,282.00	392,742,282.00	392,742,282.00	Income Classification	CASHIER'S RECEIPT SUMMARY Between 01-07-2020 and 30-06-2021	Balance as per Pastel as at 30-6-21	Balance as per Financial statement as at 30-6-21	APPLICATION FEE	348,140.00	348,140.00	348,140.00	BILL REPRINT Miscellenious	174,410.00	174,410.00	174,410.00	NORMAL RECONNECTION	4,041,700.00			DISCONNECTION ON REQUEST	158,830.00			Reconnectios	4,200,530.00	4,200,530.00	4,200,530.00	LAB TESTS- miscellaneous water test	82,750.00	82,750.00	82,750.00	METER REPLACEMENT CHARGES	214,000.00			METER TESTING	117,500.00			Meter testing & meter replacement	331,500.00	331,500.00	331,500.00	METER TRANSFER	106,700.00			LABOUR CHARGES	6,636,470.00			LABOUR CHARGES & meter transfer	6,743,170.00	6,743,170.00	6,743,170.00	Miscellaneous- Bulk water sale	34,720.00	34,720.00	34,720.00	water related income total	11,915,220.00	11,915,220.00	11,915,220.00	Waste water related income				DUMPING SERVICE	270,000.00	270,000.00	270,000.00	EXHAUSTER SERVICE	869,000.00	869,000.00	869,000.00	SEWER CONNECTION	3,144,420.00	3,144,420.00	3,144,420.00		4,283,420.00	4,283,420.00	4,283,420.00	OTHER				FITTINGS- Material Charges	2,914,215.00	2,867,899.00	2,914,215.00	Resolved	
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5	Understated Turn Over-Water and Wastewater Balances	Water and wastewater comprise of exhauster income, sewer connection fee and dumping fee by commercial exhausters. The amount in question of other income of KShs 354,927.00 and disconnection fee on request of KShs 158,830.00 are recognized in the water related income and not part of water and wastewater.	Resolved	
6	Inaccuracies in Customer Deposit and Direct Deposits	Customer deposits is partly historical in that during the company formation, the company inherited book debts and no actual cash for deposits, no list of deposits nor any written hand over was received. The management can support KShs 56,223, 852.00 out of KShs 103,857,350.00.9 The unsupported amount of KShs 47,633,98.00 is the historical part carried forward from the then Municipal Council of Embu where it is difficult to trace the documents since no register or ledger was availed to the organization during formation but only a book figure.	In progress	30/06/2023
7	Unsupported Trade payables and Accruals	Trade payables and accruals amounting to KShs 163,738,509.00 the company. We have attached the list of outstanding creditors and in soft copy of individual ledgers is available.	Resolved	
8	Unsupported Administration Costs	The due procurement process for the legal services, consultancy and hospitality were followed. The analysis of the amount of KShs 7,553,304.00 The consultancy for staff recruitment, and ICT system audit were sourced through open tender procurement Staff Recruitment contract - Letter of award and contract is in place. ICT system Audit – an evaluation committee minutes and contract in place Workload analysis sourced directly through Federation of Kenya Employers, where, the company is a member and it's a government entity. Legal fees: KShs 4,829,258.00 Hospitality: KShs 151,000.00 Consultancies: KShs <u>2,573,046.</u> Total amount: KShs <u>7,553,304.00</u>	Resolved	

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9	Irregular payments of staff allowances	The payment to staff attending the team building, and conference was done in accordance with our Human Resource and Procedure Manual 2019: Clause 5.4.11: Where meals and accommodation are provided a subsistence allowance of half per diem will be given. Extract of HRPD 2019 is attached and signed list of beneficiaries Clause 5.6: Social events; Team building and sports, which states employees attending social events together in order to achieve an objective outside Embu County shall be entitled to.	Resolved	
10	Unsupported Board Expenses.	Management has noted, the signed attendance register was not availed as during the transition as the register was misplaced and could not be traced. The management is keen to ensure the board register is provided in subsequent audits.	Resolved	
11	Unsupported payment of Airtime Benefits to staff	The company has been facilitating staff on airtime due to the nature of the operations where staff require to contact and trace customers. This is as per the Human Resource Policy and Procedures Manual. Staff Airtime facilitates efficient communication by staff during their day-to-day work. The payment is based on approved schedules showing approved beneficiaries name and telephone number and the approved amount based on the level of staff and the communication involvement of staff in the course of their duties. The payment is made directly to the service provider (Safaricom) which in turn directly loads voice bundles to employee's telephone numbers provided by the company. Further, the beneficiaries sign a Monthly schedule confirming receipt of the airtime.	Resolved	

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12	Lack of ownership documents for property, Plant and Equipment	The management is committed to addressing the auditor's recommendation in improving financial reporting and have initiated the following measures: a) The process of asset tagging has been initiated and this will ensure all the assets are tagged and coded appropriately by end of the current financial year. b) The motorcycles were purchased in the last quarter of the financial year and the supplier had not completed the logbook registration with KRA hence the logbooks were not available at the time of Audit. All the logbooks are in place	12.a-In progress. 12.b Resolved.	30/06/2023
13	Software upgrade Contract	The billing software was sourced from Sulis East Africa Limited. Any update and annual maintenance are provided by the developer Sulis East Africa. The contract was amended through an addendum to the existing contract to cater for the maintenance, technical assistance and additional features include upgrade.	Resolved.	
14	Unsupported Trade and Other receivables prior year adjustments	The adjustment of bills is carried out on the day-to-day basis in respect to estimated billing, stalled meters among others. The authorization is well stipulated in the system and debt management policy where one officer initiates, another recommends, another reviews and the final one authorizes. The errors were corrected in the billing system during the specific years as noted. However, the same was not factored in the debtors' balances in the financial statement over the period. We corrected the errors into financial statement upon recognition that the same had not been passed in the financial statements in order to present the actual position of debtor balances. That is the reason a reinstatement was done The adjustment of receivable downwards was based on the net credit balance of all adjustments done within the period under audit. The year in question of KShs22,510,265 was prior year adjustment on bills adjusted for wrong billing and estimates for the years 2016 to 2020. A journal was passed for the debtors and the reserved. The journal is hereby attached	Resolved.	

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15	Budgetary Control and Performance	The company being a privately registered is responsible with raising revenue through grant and majorly on sales of water and sewer. While it is the wish of the company to raise all revenue planned and budgeted for, again the revenue is based on demand. The management has purposely budgeted income to ensure the revenue is within planned budget. The difference of Ksh 2,624,471 was unrealized income due to less demand in water due to covid 19 effects	Resolved	
16	Non-Revenue Water (NRW)	NRW continues to pose challenges to our operations. Major contributors to the observed high levels are: a) Old and dilapidated infrastructure b) Water leaks, bursts and storage reservoir overflows c) Old water meters d) Encroachment onto the road reserves e) Old pipes passing through private properties f) Water theft and illegal water use g) Poor quality materials and workmanship The company is working on the program and with partners to continue rolling NRW further to acceptable levels. The current strategic plan 2021 -2026 identifies NRW reduction as a key result area to be addressed conclusively.	In progress.	In progress.

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17	Non-Compliance with Law on Ethnic Composition	The Management has noted and is committed to comply with Act. However, the service offered being labour intensive where 75% of employees are in technical traditionally the technical jobs such as plumbing and technician have been male dominated, but in recent recruitments it has made deliberate effort in compliance where in January where 3 CMT members were recruited both gender and ethnicity was considered even in recent recruitment of two managers one was female and from different ethnicity. The management will adhere to the requirements of section 7(2) of the National Cohesion and integration Act 2008 especially in all future recruitments.	In progress.	In progress.
18	Employees Earning below a 1/3 of their Basic Salary	The management has noted with great concern that there were number of employees who were earning below one third of their basic salaries. Measures have been put in place to address this. The situation has been rectified the situation not to recur in future.	Resolved.	
19	Delayed Remittance of Income Tax	a) Income Tax- The balance of KShs 1,668,875 is from I tax ledger, which the principal amount was paid manually. The management will follow on clearing the account. b) corporate tax- This has been an accumulation of corporate tax provision for the past years. However, the management has initiated filling of corporate returns and payment of the same with aim of compliance with KRA	In progress.	30/06/2023
20	Lack of Approved Risk Management Policy	The management is in the process of finalizing the review of the draft risk management policy and there after present to the board for approval	In progress.	30/06/2023
21	Lack of Approved Information Communication Technology (ICT) Policy	The management has started the process of reviewing of the draft ICT policy and present to the board for approval	In progress.	30/06/2023

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

NO	Project	Total Project cost	Total Expended to date	Completion % to date	Budget	Actual	Sources of Funds

There were no projects implemented by the entity in the year