

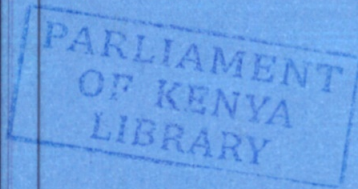
REPUBLIC OF KENYA



Enhancing Accountability

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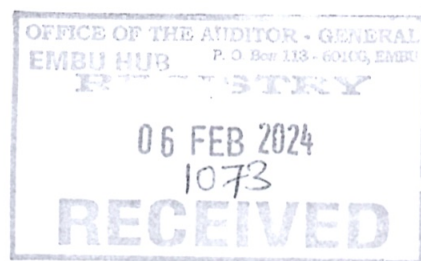
THE AUDITOR-GENERAL



ON

**EMBU WATER AND SANITATION
COMPANY LIMITED**

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



EMBU WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

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

EMBU WATER AND SANITATION COMPANY
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1. ACRONYMS AND GLOSSARY TERMS

AGM	Annual General Meeting.
CDF	Community Development Fund.
CSR	Corporate Social Responsibility.
EWASCO	Embu Water and Sanitation Company.
GIS	Geographic Information Systems
GoK	Government of Kenya.
ICT	Information Communication Authority.
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards.
IPSAS	International Public Sector Accounting Standards Board.
JICA	Japanese International Co-operation
KURA	Kenya Urban Roads Authority.
KWS	Kenya Wildlife Service.
MD	Managing Director.
NEMA	National Environment Management Authority.
NGOs	Non-Governmental Organizations.
NRW	Non-Revenue Water.
NSSF	National Social Security Fund
PFM	Public Financial Management Act.
PSASB	Public Sector Accounting Standards Board.
TWWDA	Tana Water Works Development Agency.
VAT	Value Added Tax.
WASREB	Water Services Regulatory Board.
WRA	Water Resource Authority.
WSP	Water Service Provider.
W.S.T. F	Water Sector Trust Fund.
WRUA	Water Resource Users Association.

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2. KEY COMPANY 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 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. At County Level, the Company is represented by the Chief Officer of Finance and Chief Officer of Water & Irrigation who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya, Embu County with its head office at Embu town and satellite offices at: Kanyuambora, Ena, Gachoka, and Kiritiri.

Principal Activities

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

The core objectives of EWASCO are:

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

Directors

The Directors who served the Company during the period were as follows:

S/N	Name	Designation	Description
1	FCPA John N. Nyaga	Chairman	Appointed on 3 rd May 2023
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	Retired on 24 th February 2023
6	Mr Vimal Chadha	Director	Retired on 3 rd March 2023
6	Eng. Richard Mbogo	Director	Retired on 24 th February 2023
7	Mr James Njeru Mubothi	Director	Appointed on 3 rd May 2023
8	Prof. Johannes Njagi Njoka	Director	Appointed on 26 th February 2021

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9	Rt Rev. Dr. Samuel Nginyi	Director	Retired on 3 rd March 2023
10	Cannon John M. Gichangi	Director	Appointed on 3 rd May 2023
11	Maureen Mukami Muriithi	Director	Appointed on 11 th January 2023
12	CPA Paul N. Thiga	Director	Appointed on 11 th January 2023
13	CPA Dickson Kinyua Njiru	Ag Managing Director	Acted up to 25 th May 2023
14	Eng. James Njue Njeru	Managing Director	Appointed on 26 th May 2023

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

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

Principal Legal Advisers

Njeru Ithiga Advocates
P.O Box 1768-60100
Embu

Ahmednasir Abdullahi Advocates LLP
P.O Box 57731-00200
Nairobi

Kabathi and Company Advocates
P.O Box 21413 -00100
Nairobi




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

Alosa Advocates LLP
P.O Box 8375 – 00100
Nairobi

Wesonga, Mutembei & Kigen Advocates
P.O Box 22912-00100,
Nairobi-Kenya.

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3 THE BOARD OF DIRECTORS

PHOTO	NAME AND DESIGNATION
	<p>FCPA John N. Nyaga Board Chairman. Date of Birth: 1960</p> <p>Qualifications.</p> <ul style="list-style-type: none"> • Master's in Business Administration. • Certified Public Accountant of Kenya. • Certified Public Secretary of Kenya. <p>Experience. Over 30 years in audit of public and private companies, co-operative societies, partnerships, parastatals, local authorities, pension funds and NGOs. Managing partner Njeru Nyaga and Company (1989-To Date) Company Secretarial Services-Pivot Registrars.</p>
	<p>Prof. Johannes Njagi Njoka Director Chairman Technical Committee. Date of Birth: 1964</p> <p>Qualifications.</p> <ul style="list-style-type: none"> • PhD Medical Education • Master of Philosophy (Educational Psychology) • Bachelor of Education (Arts) <p>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</p>
	<p>Dr Winnie Gacugu Njeru Director Director and Chair Finance, Administration & Strategy Committee Date of Birth: 1968</p> <p>Qualifications</p> <ul style="list-style-type: none"> • PhD in Business Administration • Master in Business Administration • Bachelor of Science (Business Administration) <p>Experience Over 20 years corporate experience, academician, researcher, consultant in business management and community service provider.</p>

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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.



James Njeru Mubothi

Director

Member of Technical Committee & Finance, Administration & Strategy Committee

Date of Birth: 1965



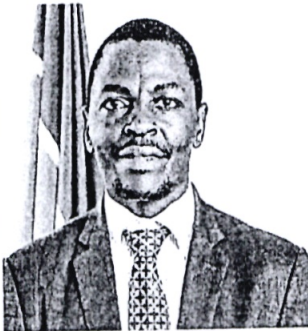
Qualifications

- Bachelor of Arts – Economics and Sociology.
- Post graduate Dip in Education.
- Diploma in Education management.
- CPA I

Experience

Over 26 years working with Teacher Service Commission as Head of Department, Deputy Principal and Principal.

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	<p>Canon John M. Gichangi Director Member, Audit Risk and Compliance Date of Birth: 1962</p> <p>Qualification</p> <ul style="list-style-type: none"> • Bachelor of Divinity. • Diploma in Theology • Certificate in Development studies, Conflict resolution and management; and leadership management <p>Experience With wide experience as a clergy with Anglican Church of Kenya for over 32 years. Bible translator with Bible Society of Kenya for 15 years Board member in colleges, Public Schools</p>
	<p>Rev. Mercy Muringo Njagi Director Member, Finance, Administration & Strategy Committee Date of Birth: 1984</p> <p>Qualification</p> <ul style="list-style-type: none"> • Bachelor of Divinity • Diploma in Theology • Certificate in mediation <p>Experience With wide experience as a clergy with Anglican Church of Kenya.</p>
	<p>CPA Paul N. Thiga County Chief Officer of Finance Director Member of Audit, Risk & Compliance Committee Date of Birth: 1978</p> <p>Qualification:</p> <ul style="list-style-type: none"> • Master in Business Administration (Finance) • Business Administration - Finance • Certified Public Accountant of Kenya • Certified Securities and Investments Analysis • Credited Project Management • Certification in Monitoring & Evaluation <p>Experience Over 18 years working in the public Sector, where 2 years was in CDF Fund, and 15 years as CDF Funds Account Manager and One year as Chief Officer in Finance for Embu County Government</p>

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Maureen Mukami Muriithi
 County Chief Officer for Water & Irrigation
 Director
 Member of Technical committee
 Date of Birth: 1985

- Qualification:**
- Master in Business Administration (Marketing)
 - Bachelor of Business Administration
 - Certified in Monitoring & Evaluation

Experience
 Over 12 years' experience in public and private sector; where 7 years in financial institution and 5 years in administration. Brand management consultant and one year as Chief Officer for Water and irrigation in Embu County Government. Member of Kenya Institute of Management



Eng. James Njue Njeru
 Managing Director

- Qualifications**
BSc Water and Environmental Engineering.
- Certified professional mediator.
 - Certification in Pumps Hydraulics
 - ISO 9001 Quality management systems.

Experience.
 Over 17 years in various elements of water and waste water systems, studies, design. Project management for large multidisciplinary projects. Member Institutions of Engineers of Kenya.






FCS Richard K. Gikuhi
 Representing.
 Gikuhi Kiana & Company / Company Secretaries

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

EMBU WATER AND SANITATION COMPANY
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4 KEY MANAGEMENT TEAM

PHOTO	NAME AND DESIGNATION
	<p>Eng. James Njue Njeru Managing Director</p> <p>Qualifications BSc Water and Environmental Engineering.</p> <ul style="list-style-type: none"> • Certified professional mediator. • Certification in Pumps Hydraulics • ISO 9001 Quality management systems. <p>Experience. Over 17 years in various elements of water and waste water systems, studies, design. Project management for large multidisciplinary projects. Member Engineering Board of Kenya Member Institutions of Engineers of Kenya.</p>
	<p>CPA Dickson Kinyua Njiru Head of Audit Risk & Compliance Ag. Managing Director (October 2021 – May 2023)</p> <p>Qualifications</p> <ul style="list-style-type: none"> • 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. <p>Experience. Over 20 years' experience in both private and public sector which includes 14 years in Water Services industry</p>
	<p>CPA Doris Njiru Head of Finance & Commercial Services</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Business Administration (Strategic Management) • 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 <p>Experience: Over 23 years in both NGO & Public sector which includes over 14 years in management which includes 8 years in EWASCO</p>

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	<p>Eng. Joshua Oria Qualification</p> <ul style="list-style-type: none"> • Bachelor of Technology (Civil & Structural Engineering) • Masters of Science (Urban Water & Sanitation) • Registered Engineer a member of the Institution of Engineers of Kenya <p>Experience: Over 18 years out of which 15 years is in water sector</p>
	<p>C.H.R.P Mary Mugwira Head of Corporate Services Qualifications:</p> <ul style="list-style-type: none"> • Masters of Business Administration (Strategic Planning) • Bachelor's Degree in Education (Arts) • Diploma in Human Resource • Registered member of the Institute of Human Resource Management - Member No.02471 <p>Experience: Over 17 years in both private and public sector which includes 15 years in EWASCO.</p>
	<p>FCS Richard K. Gikuhi Representing. Gikuhi Kiana & Company / Company Secretaries</p> <p>A Certified Public Secretaries of Kenya (CPSK), membership N0 285 as required by Mwongozo Code</p> <p>Experience: With over 30 years practicing as a Company Secretary with bias in water companies</p>

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5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the year 2022/2023 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-Counties 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 one stakeholder's forum, for the planning of the AGM and appointment of the selection committee in compliance with the Constitution and the law.

Financial Performance

During the year under review, the company reported a total income of Kshs. 438.5 million which is an increase of Kshs. 15.3 million from the previous year total revenue of Kshs 423.2 million. We received a Grant from WSTF amounting to Kshs 10.5 million for water line extension at Gachuriri and a compensation from KURA amounting to Kshs 23.5 million for destruction of water line at Mugoya-Karurina and Vyezinina- Kimangaru.

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 for their commitment and dedication. I pray for continued support in order to serve our company, and together, we will serve our community better.



FCPA JOHN N. NYAGA
CHAIRMAN, BOARD OF DIRECTORS.

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6. REPORT OF THE MANAGING DIRECTOR

Introduction

I wish to report on the general performance of the company for year ended 30th June 2023. Below are the key highlights.

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.

Water Supply Coverage

The water supply coverage has improved to 1,600 km², while the mandated area has increased from 80 km² to 2,025 km² through public demand. The population served has increased to approximately 232,000 by June 2021. These improvements in coverage have been funded by internally generated funds and various partners such as the Embu County Government, the Community, Bank Loans, WSTF, CDF, TWWDA, GoK, KWS, KENGEN, World Bank grant, and grants from JICA. During the year under review, we extended our water pipeline by 14 KM from Gachoka to Gachuriri funded by WSTF. In addition, we had a rerouting of 19.39 KM pipeline of different diameters at Mugoya-Karurina and Vyezinina- Kimangaru.

Sewerage Coverage

The company has for long operated with one 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 and a second treatment completed in 2020. The effluent 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.

The new sewerage treatment plant covers the areas of 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.

Financial performance

In the year under review the company realised overall income of Kshs 438.5 million which is an improvement from the previous financial year Kshs 423.2 million. This is inclusive of Kshs 23 million received from KURA as the compensation for destruction of water line at Mugoya-Karurina and Vyezinina- Kimangaru. We also received a Grant from WSTF amounting to Kshs 10.5 million for water line extension at Gachuriri.

Operating capacity

The operating capacity of the Company has continued to be enhanced. Appropriate and advanced IT software and 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 enhanced our fleet management through regular repairs and maintenance. Staff have been trained to ensure a skilled work force and increased productivity.

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Challenges

Water Supply.

- 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 and there are no solid plans to mitigate the matter.
- Huge accumulation of unpaid debts by the Government institutions which lead to cashflow constraints.
- 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

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.
- No money to fund proposed 700 km of various pipelines to unserved and underserved areas.

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

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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: -

- 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


Eng. JAMES NJUE NJERU
MANAGING DIRECTOR

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE FINANCIAL YEAR 2022/2023.**

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	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> -Site identified. -Procurement process for land acquisition initiated. -Contract awarded to the consultant to design the water treatment plant.
	2: To increase water coverage area by connecting 30,000 by 2026	<ul style="list-style-type: none"> • Number of tanks constructed • Pipeline installation in Mbeere North, Mbeere South & Ena 	<ul style="list-style-type: none"> ▪ Construct five storage water tanks ▪ Construct 20 km distribution lines to and from the storage tanks ▪ Undertake distribution pipeline for Mbeere North & Ena 	<ul style="list-style-type: none"> -Distribution pipeline for Ena done. -Gachuriri line developed. -Water Kiosks constructed.
	3.Enhance social connection	<ul style="list-style-type: none"> • Pro-poor policy in place • Report on identified areas • Storage tanks social connections • No. of proposal • Plan implementation report 	<ul style="list-style-type: none"> ▪ Review pro-poor services policy ▪ Survey to identify social connections ▪ Develop funding proposal for social connections ▪ Implement pro-poor services plan 	<ul style="list-style-type: none"> -Draft Pro-poor policy in place -Social connections identified -Purchase storage tanks social connections

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	4.To increase sanitation coverage from 20% in 2021 to 30% by 2026	<ul style="list-style-type: none"> • 3 Km of sewer lines rehabilitate/relocated • No. of customers connected • No. of meetings held to sensitize community 	<ul style="list-style-type: none"> ▪ Rehabilitation and relocation of sewer lines ▪ Connect new customers to sewer ▪ Hold community's sensitization meetings in the service area 	<p>Sewer connected</p> <p>4 Sensitization meetings held</p>
	5. To enhance funding of water and sanitation infrastructure development	<ul style="list-style-type: none"> • Up to date database of potential funding partners • No of funding proposals submitted 	<ul style="list-style-type: none"> ▪ Undertake mapping of development partners ▪ Develop and follow up on funding proposals to development partners, 	<p>-Identified banks to partner with</p> <p>-3 funding proposals submitted to WSTF</p>
KRA 2: WATER AND WASTEWATER QUALITY	1: To ensure compliance to drinking water quality standards (WHO and KEBS)	<ul style="list-style-type: none"> • No of sampling points • No. of planned samples collected and tested • No of samples submitted to an external laboratory 	<ul style="list-style-type: none"> ▪ Identify strategic sampling points along the distribution network ▪ Establish accreditation requirements from KENAS ▪ Prepare the current laboratory for accreditation 	<p>-64 Sampling points identified</p> <p>-Sampling done thrice a week</p> <p>-Samples taken Water Resource Authority monthly</p>
	2: To ensure compliance to wastewater standards (WRA and NEMA)	<ul style="list-style-type: none"> • No of times compound clearing and desludging is done • No. of random samples collected and tested • Monthly sewer surveillance report 	<ul style="list-style-type: none"> ▪ Undertake routine compound clearing, desludging ▪ Random sampling and testing ▪ Routine surveillance of network ▪ Equip sewer maintenance team with requisite tools/equipment 	<p>-Routine compound cleaning</p> <p>- Sampling and testing done</p> <p>-Daily surveillance of network done</p>
KRA 3: NRW MANAGEMENT	To reduce the NRW from 43%	<ul style="list-style-type: none"> • Length of pipeline rehabilitated • Surveillance team in place 	<ul style="list-style-type: none"> ▪ Identify all lines that require relocation 	<p>-Identified Muchonoke, ngiiri & Kaunda lines</p>

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	in 2021 to 20% by 2026	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ 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 ▪ Implement the NRW framework ▪ Water Committees incorporated 	<ul style="list-style-type: none"> -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 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> -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	<ul style="list-style-type: none"> • Revised CSC in place • No of awareness meetings held • Communication policy in place 	<ul style="list-style-type: none"> ▪ Review customer service charter ▪ Sensitize staff and customers on CSC provisions 	<ul style="list-style-type: none"> -Service charter approved. -Sensitization meetings held quarterly

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	74% in 2021 to 85% by 2026	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ 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 	<p>Awareness channels used</p> <ul style="list-style-type: none"> -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 2021 to Kshs 619M by 2026	<ul style="list-style-type: none"> • Implement an ERP System • Formulate an ICT Policy • Update and integrate customer billing system with the ERP • Train employees on the use of ERP • Prepare SOP, procedure manuals and quality manual • Prepare financial reports and statements • Coordinate and facilitate timely financial audits • Prepare list of disposable assets 	<ul style="list-style-type: none"> ▪ ERP system in place and operational ▪ ICT policy approved and adopted for use ▪ Updated and integrated billing system ▪ No. of trained employees ▪ 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 	<ul style="list-style-type: none"> -ERP system in place -ICT policy in draft form -Billing system integrated -All Staff trained -Annual work plan, Approved budget in place Procurement plan in place M&E reports done List of idle items being developed

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	2. To increase collection efficiency from 90% 2021 -98% 2026	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> -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
KRA 6: CORPORATE GOVERNANCE AND STAKEHOLDER ENGAGEMENT.	1: To promote good corporate governance practices	<ul style="list-style-type: none"> • A board charter in place • No of board trainings conducted • Monthly internal audit/compliance reports • Approved CSI policy in place 	<ul style="list-style-type: none"> ▪ Develop board charter ▪ Train board and management on good corporate governance practices ▪ Review and update risk registers ▪ Prepare a Corporate Social Investment (CSI) policy 	<ul style="list-style-type: none"> Board charter in place -Board trainings done -Monthly internal audit reports -CSI policy in place
	3: To enhance stakeholder's management	<ul style="list-style-type: none"> • No of Meetings Held • Post information on the website • No. of the Reports published • No. of stakeholder's forum held 	<ul style="list-style-type: none"> ▪ Hold Annual General Meeting (AGM) Hold Stakeholder meetings yearly ▪ Regular information on the website 	<ul style="list-style-type: none"> -AGM held. -One stakeholders held -Meetings, barazas
KRA 7: HUMAN CAPITAL MANAGEMENT	1.To recruit, develop and retain a motivated and productive team	<ul style="list-style-type: none"> • Signed contracts in place • Organization structure and Job Evaluation Report 	<ul style="list-style-type: none"> ▪ Recruit motivated team ▪ Hire consultant for organization and grading structure review 	<ul style="list-style-type: none"> -Staff signed contracted and are filed. -Consultant hired and work on going

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		<ul style="list-style-type: none"> • Level of job evaluation recommendation implementation 	<ul style="list-style-type: none"> ▪ Conduct organization structure review and job evaluation ▪ Implement recommendations of the Job Evaluation Exercise 	-JE assignment completed.
	2.Increased productivity	<ul style="list-style-type: none"> • Approved training programme and budget • Performance management. 	<ul style="list-style-type: none"> ▪ Prepare annual training programme ▪ Implementation of PM 	- Training program in place -PM implemented
	3.Well compensated and motivated employees 4. Motivated & Productive staff	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ 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 -Approved OSH policy developed -25 Interns boarded -Sports carried out

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8. CORPORATE GOVERNANCE STATEMENT

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 9 members nominated by respective stakeholder institutions and two representatives of the Embu County Government.
- The Managing Director sits in the Board as its 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 a broad range of skills and expertise.
- The Board has three committees namely; Technical, Finance, Administration & Strategy, and; Audit Risk and Compliance.
- 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 agenda in which annual audited accounts are also presented.

At its regular meetings, the Board considerations include:

- Quarterly Technical, Corporate and financial progress reports.
- Quarterly Audit reviews and reports.

During the year, the Board held two retreats at Kenya School of Monetary Studies for the Directors with management and induction of two new Directors, and in Mombasa for the induction of new Board members.

Composition of the Board of Directors.

The Board is chaired by FCPA John N. Nyaga who gives direction during board meetings.

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Technical Committee

The Committee is chaired by Prof. Johannes N. Njoka, and includes Mr. James N. Mubothi and Ms. Maureen M. Muriithi. 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 operations. It assists the Board of Directors in monitoring and reviewing project(s) development and major asset acquisition. The Committee reviews and makes recommendations to the Board of Directors on matters relating to the infrastructure assets of the Company, including building master plans, capital project plans and so on.

Finance, Administration & Strategy Committee.

The committee is chaired by Dr. Winnie Gacugu, and includes Rev Mercy Njagi and Mr. James N. Mubothi. 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 CPA Edwin Mukundi. Other members include CPA Paul N. Thiga and Canon John M. Gichangi. 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 one stakeholder forum one 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:

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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 Managing Director's, 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.

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9. MANAGEMENT DISCUSSION AND ANALYSIS

The development of EWASCO resulted from four critical elements that go alongside its vision, mission and core values which are anchored in the 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 indicators except for Non-Revenue Water (NRW) management that have attracted the attention of all stakeholders.

The key performance areas for EWASCO within the FY2022/2023 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 1,600 km², while the mandated area has increased from 80 km² to 2,025 km² through public demand. The population served has increased to approximately 232,000 by June 2021. These improvements in coverage have been funded through grants, donations, own-generated funds and commercial funding through various partners such as The Embu County Government, The Community, Bank Loans, WSTF, CDF, TWWDA, GOK, KWS, KENGEN, World Bank grants, EWASCO and by grants 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 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 roles 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.

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No.	Director's Name	No. of Meetings Attended FY 2022-2023								Totals
		Full Board Meetings	Special Board Meetings	Committee Meetings	Trainings/Workshop/Games	Ad hoc Committees	Consultative	AGM	Interviews	
1	FCPA John Nyaga	1	3	0	1	0	0	0	0	5
2	John Gichangi	1	3	0	1	0	0	0	0	5
3	James Mubothi	1	3	0	1	0	0	0	0	5
4	Rt. Rev. Samuel Ngingi	3	8	0	3	2	8	0	2	26
5	Edwin Mukundi	3	14	2	4	7	8	1	2	41
6	Dr. Winnie Njeru	2	14	2	4	7	7	1	2	39
7	Vimal Chadha	2	8	4	3	1	3	0	2	23
8	Rev. Mercy Muringo	3	14	4	4	1	3	1	2	32
9	Dr. Johannes Njoka	1	6	0	1	4	0	1	0	13
10	Maureen Mukami	1	12	0	2	4	3	1	0	23
11	Paul N. Thiga	1	10	0	2		1	1	0	15
12	Eng. Richard Mbogo	2	2	0	2	1	2	0	2	11
13	Damiano Muthee	2	1	1	1	0	2	0	0	7
14	Ruth Ndirangu	0	1	0	1	0	0	0	2	4

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. As the members retire at the end of their tenure, the appointment of the new 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. Interested persons apply after being nominated by the relevant stakeholders' bodies thereafter they be elected during the Annual General Meeting. The directors representing the County Government of Embu are appointed by the County Secretary and the head of Public Services. The names of elected directors will be filed with the Registrar of Companies.

Cessation of a Director

Board member will cease to be director, if the person:

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

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

Independence of Board Members

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

Term Limits

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

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Investment Decisions

The major investment made during the year were:

- The investment made during the year was 14 km Gachuriri Water pipeline comprising of OD 90 mm and 63 mm and a water kiosk at Gachuriri funded by Water Sector Trust Fund,
- 19.4 km of relocation and/or rerouting of the pipes along the Muthatari – Karurina & Muthatari – Kimangaru road under Annuity programme by the Kenya Urban Roads Authority,
- the Filter laterals and Media repackaging at Mukangu WTP and
- the Old Sewerage plant wall reconstruction.

Material arrears

During the period under review the company had not settled corporate tax liability brought forward from the previous periods. 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.

In addition; the company had not settled the levies owed to WASREB due to re-computation of the levies from 1% to 4 % for the period July 2021 to December 2022. The management has put in place measures to address the issue.

There was no long-term financial obligation in form of a commercial loan over the period.

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10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Company exists to transform lives through provision of water and sanitation services within the area of jurisdiction. 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 has an operational 5-year 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.

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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 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.

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. During the year the OSH unit was established, an OSH officer appointed as per the requirement and in addition the OSH policy was developed and approved by the board.

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.

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- b) **Responsible Supply chain and supplier relations:** The company being a public Company 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 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 our 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 in the past 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 677,375.00

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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 and pool friendly competition.
- **Health:** The company supported Madaraka day activities held in Embu County government and ensure the clean water services are available to our customers.
- **Environment:** Guided by Government directive on National Tree Planting Campaign, the Company undertook initiative of planting 1,000 trees at new sewerage and the water treatment areas 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.
- **Social events:** During the year the company participated in social events and national holidays such as Madaraka day, Mashujaa day at Karaba and Jamhuri day held at Kairuri grounds. The company provided free water with the water bowser to the general public in the three days.
- **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 2022/2023 where the stakeholder's representatives were 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.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2023

11. REPORT OF THE DIRECTORS.

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the 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, 2023 are set out on page 1 - 28.

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 iii & iv, 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 2015.

By Order of the Board


Secretary of the Board
September 14, 2023.

EMBU WATER AND SANITATION COMPANY
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12. 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 Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the 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, 2023. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 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 PFM Act 2012, water Act 2016 and Companies Act 2015.

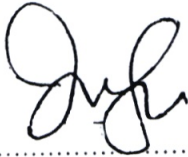
The Directors are of the opinion that the Embu Water and Sanitation Company's financial statements give a true and fair view of the state of Embu Water and Sanitation Company's transactions during the financial year ended June 30, 2023, and of the Embu Water and Sanitation Company's financial position 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.

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2023

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

Approval of the financial statements

The Company's financial statements were approved by the board on 14/09/2023 and signed on its behalf by:



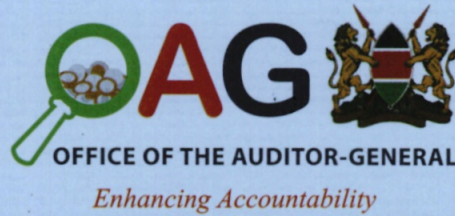
.....
FCPA JOHN N. NYAGA
CHAIRMAN OF THE BOARD



.....
Eng. JAMES N. NJERU
MANAGING DIRECTOR.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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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, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

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

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

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs.266,015,873 in respect of trade and other receivables which includes Kshs.261,818,261 in respect to trade debtors which further includes Kshs.184,871,866 relating to trade debtors that have been outstanding for more than one year.

In addition, the ageing analysis revealed that Kshs.42,870,148 was owed by some of the major debtors which include the Embu County Government and the Government of Kenya institutions. It was noted that most of the water consumption accounts were either inactive or had been disconnected.

Management has not provided plausible explanation on measures being taken to recover the long outstanding debts as their continued non-settlement is affecting the liquidity of the Company.

In the circumstances, the validity and full recoverability of the long outstanding trade and other receivables balance of Kshs.184,871,866 could not be confirmed.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables balance of Kshs.235,727,468 which includes trade payables balance of Kshs.202,125,977 which further includes Kshs.124,425,452 owed to four (4) creditors that has been outstanding for over two (2) years.

No plausible explanation has been provided for failure to settle the long outstanding trade and other payables in the year to which the expenses were incurred or subsequent financial years.

In the circumstances, the existence and validity of the long outstanding trade payables balance of Kshs.124,425,452 as at 30 June, 2023 could not be confirmed.

3. Unsupported Kenya Revenue Authority (KRA) Refund Claims

As previously reported, the statement of financial position and as disclosed in Note 21 to the financial statements reflects tax recoverable balance of Kshs.31,519,506 in respect to KRA refund claims. However, Management did not provide a schedule to show the breakdown of the Kenya Revenue Authority (KRA) refund claims.

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 to 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 tax recoverable balance of Kshs.31,519,506 could not be confirmed.

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 qualified opinion.

Emphasis of Matter

Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects Kshs.441,393,472 and Kshs.564,870,275 in respect to total budgeted income and expenditure respectively resulting to budget imbalance of Kshs.123,476,802. This is 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. No explanation has been given on why the Board approved the unbalanced budget.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised. However, no report or recommendations from Management and oversight bodies were submitted for verification and clearance. In addition, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Management is responsible for the other information which comprise of Key Company Information, the Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The other information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unauthorized Withdrawals from Customer Deposits Account

The statement of financial position and as disclosed in Note 29 to the financial statements reflects a balance of Kshs.94,469,345 in respect to customer deposits and prepayments which includes Kshs.87,889,221 relating to customer deposits. However, the deposit bank account as at 30 June, 2023 had a balance of Kshs.12,551,772. The difference of Kshs.75,337,449 according to explanations given represents the amount borrowed by the Management to cater for operational expenses but had not been refunded to the customer deposit account as at 30 June, 2023 contrary to Section 53(1) of Public Finance Management (County Governments) Regulations, 2015 that provides that an Accounting Officer of an entity may not authorise payment to be made out of funds earmarked for specific activities for purposes other than those activities.

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

2. Non-Compliance with Corporate Governance Guidelines on Directors Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects board expenses amounting to Kshs.23,009,427.

During the year under review, the Company had a turnover of Kshs.438,327,444, which according to Corporate Governance Guidelines for Water Services Sector of 2018, the board expenses were to be capped at the higher of 2% of the turnover which amounts to Kshs.8,766,549 or a maximum of Kshs.7,000,000. However, the board expenses amounted to Kshs.23,009,427 thus exceeding the upper limit set by Water Services Regulatory Board (WASREB) by Kshs.14,242,878 or 162%. Management did not provide a plausible explanation for exceeding the limit set by WASREB.

In the circumstances, Management was in breach of policy guidelines.

3. Unauthorized Special Board Meetings

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects board expenses amount of Kshs.23,009,427 which includes Kshs.9,536,249 in respect to sitting allowances paid to board members. However, it was noted that in addition to four (4) full board meetings held during the year under review, the Board also held fourteen (14) special board meetings.

The number of board meetings held in the year which included four (4) full board and fourteen (14) special board totalling to eighteen (18) was contrary to Circular reference OP/CAB.9/1A of March 11, 2020 from Head of Public Service - Executive Office of the President on Management of State Corporations which states that, Board meetings shall be restricted to a minimum of four (4) as provided for in the State Corporations Act and capped at a maximum of six (6) for each financial year, or as may be specified in respective enabling legal instruments.

Further, no approval from the County Government for any extra board meetings (including special board meetings) above the maximum number specified and the justification by the Board on the source of funds, and implications was provided for audit verification.

In the circumstances, Management was in breach of policy guidelines.

4. Non-Revenue Water (NRW)

During the year under review, the Company produced a total of 7,534,169 cubic meters (m³) of water out of which only 4,765,217 m³ was billed to customers. The balance of 2,768,952 m³ or approximately 37% of the total water produced, with an approximate expected earning of Kshs.179,981,880 (at an approximate expected earning of Kshs.65 per m³) represents Non-Revenue Water (NRW).

However, Schedule E of the Water Service Regulatory Board (WASREB) Guidelines allows a maximum loss of 25% for every cubic meter of water produced and hence out of the 7,534,169 cubic meters produced by the Company, only 1,883,542 or 25% water loss

was allowable while the 885,410 m³ or 12% of non-revenue water with an approximate expected earning of Kshs.57,551,650 was not allowable.

In the circumstances, the Company significantly exceeded the allowable NRW loss of 25% by 12% or approximately Kshs.57,551,650 which if not addressed will negatively impact on the Company's profitability and its long-term sustainability.

5. Stalled Project - Fencing of Old Sewerage

As previously reported, the statement of financial position and as disclosed in Note 17 to the financial statements reflects a balance of Kshs.599,471,021 in respect to property, plant and equipment, which includes additions of Kshs.45,820,429 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. Physical verification carried out in December, 2023 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.

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

6. Non-Adherence to Ethnic Balance

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.202,662,415 in respect to staff emoluments. However, review of the staff establishment revealed that the Company had one hundred and fifty-one (151) staff members out of which ninety-two (92) or 61% of staff members were from the dominant ethnic community in the County. 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, Management was in breach of the law.

7. Failure to Prepare and Publish Contract Awards

As previously reported, during the year under review, the Company did not prepare and submit a report to Public Procurement Regulatory Authority on preferences and reservations indicating 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 entity.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease 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 is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to 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 controls 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 April, 2024

EMBU WATER AND SANITATION COMPANY
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For the year ended June 30, 2023

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

	Notes	2023	2022
		Kshs	Kshs
REVENUE			
Operating revenue	6	401,430,996	395,515,806
Grant Income	7	13,185,348	958,103
Other Income	8	23,711,100	26,786,932
Finance Income	9	-	-
TOTAL REVENUE		438,327,444	423,260,840
EXPENSES			
Staff Cost	10	202,662,415	169,636,663
General and Operations Expenses	11	148,861,167	129,320,491
Board Expenses	12	23,009,427	11,601,779
Depreciation and Amortization Expenses	13	83,161,208	93,304,300
Maintenance Expenses	14	59,538,736	46,739,499
Finance costs	15	1,383,128	4,881,817
TOTAL EXPENSES		518,616,082	455,484,550
Loss Before Taxation		- 80,288,638 -	32,223,710
Less: Non Taxable income	16	13,185,348	26,786,932.00
Taxable Income		- 93,473,986 -	59,010,642
Taxation		-	
LOSS AFTER TAXATION		- 93,473,986 -	59,010,642

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2023

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

	NOTES	2023 KSHS	2022 KSHS
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	17	599,471,021	633,939,766
Intangible assets	18	6,701,414	8,894,848
TOTAL NON CURRENT ASSETS		606,172,434	642,834,614
CURRENT ASSETS			
Inventory	19	30,352,432	35,984,898
Trade and Other Receivables	20.	266,015,873	262,602,285
Tax recoverable	21	31,519,506	31,519,506
Bank and Cash Balances	22	34,818,662	27,274,974
TOTAL CURRENT ASSETS		362,706,473	357,381,664
TOTAL ASSETS		968,878,908	1,000,216,278
EQUITIES & LIABILITIES			
CAPITALS & RESERVES			
Ordinary Share Capital	23	100,000	100,000
Revaluation Reserve	24	150,665,469	150,665,469
Retained Earnings	25	336,618,660	385,637,800
TOTAL CAPITAL & RESERVES		487,384,129	536,403,269
NON CURRENT LIABILITIES			
Deferred Income (Capital Grants)	30	139,127,294	141,737,388
TOTAL NON CURRENT LIABILITIES		139,127,294	141,737,388
CURRENT LIABILITIES			
Provisions For Gratuity	27	11,549,957	5,255,449
Trade and Other Payables	28	235,727,468	206,109,105
Refundable deposits and Prepayments	29.	94,469,345	87,889,221
Taxation	31	620,715	22,821,847
TOTAL CURRENT LIABILITIES		342,367,485	322,075,621
TOTAL EQUITIES & LIABILITIES		968,878,908	1,000,216,278

The Embu Water and Sanitation Company's financial statements were approved by the Full board meeting held on 14/09/2023 and signed on its behalf by:



.....
ENG. JAMES N. NJERU
MANAGING DIRECTOR



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



.....
FCPA JOHN N. NYAGA
CHAIRMAN OF THE
BOARD

EMBU WATER AND SANITATION COMPANY
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For the year ended June 30, 2023

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

	Share Capital kshs	Revaluation Reserves kshs	Retained Earnings(Restated) kshs	Total kshs
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
2023				-
At 01/07/2022	100,000	150,665,469	385,637,799	536,403,268
Total Comprehensive Income			- 80,288,638	- 80,288,638
Prior Year Adjustment-MCE			11,036,703	11,036,703
Prior Year Adjustment-Cash Loss			- 1,968,337	- 1,968,337
Correction of Previous Years Tax Provisions			22,201,132	22,201,132
AT 30/06/2023	100,000	150,665,469	336,618,660	487,384,129

EMBU WATER AND SANITATION COMPANY
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For the year ended June 30, 2023

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

		2023	2022
	NOTES	Kshs	Kshs
Surplus for the year		-80,288,638	-32,223,710
Adjustments for :			
Re-instated Surplus	✓ 25	11,036,702	0
Re-intated Surplus	✓ 25	-1,968,336	0
Prior years tax provision	25	22,201,132	0
Depreciation	13	80,289,174	89,492,223
Amortisation of intangible assets	13	2,872,034	3,812,078
Less deferred Income & Decrease in provision	✓ 30	-13,185,348	-13,545,307
Surplus before changes in working capital		<u>20,956,721</u>	<u>47,535,284</u>
Changes in working Capital			
(Increase) / Decrease in Trade and Other Receivables	✓ 20.	-3,413,588	-16,223,029
(Increase) / (Decrease) in Trade & Other Payables		20,291,864	31,657,915
(Increase) / Decrease in Trade Inventory	✓ 19	5,632,466	-7,904,154
Cash Generated from the Operating Activities		22,510,742	7,530,732
Net Cash Generated from Operating Activities		<u>43,467,463</u>	<u>55,066,016</u>
Investing Activities			
Purchase of non- current assets	✓ 17	-45,820,429	-39,182,374
Purchase of Intangible assets	18	-678,600	-10,841,835
Net Cash Generated from Investing Activities		<u>- 46,499,029</u>	<u>- 50,024,208</u>
Financing Activities			
Grants	✓ 30	10,575,254	0
Loan repayment	26	0	-59,223,119
Net Cash Generated from Financing Activities		<u>10,575,254</u>	<u>- 59,223,119</u>
Increase in Cash and Cash Equivalents		<u>7,543,688</u>	<u>- 54,181,312</u>
Cash and cash equivalent			
At the start of the year	22	27,274,974	81,456,286
At the end of the year	22	<u>34,818,662</u>	<u>27,274,974</u>

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18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR PERIOD ENDED 30TH JUNE 2023.

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUALS ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE	% BUDGET UTILIZATION
	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023	
REVENUE	Ksh	Ksh	Ksh	ksh	Ksh	
Operating revenue	414,255,574.60	- 9,758,550.00	404,497,024.60	401,430,996.00	3,066,028.60	99%
Grant Income	14,887,577.88	- 1,702,229.88	13,185,348.00	13,185,347.85	0.15	100%
Other Incomes	1,000,000.00	22,711,100.00	23,711,100.00	23,711,100.00	-	100%
Finance Income	-	-	-	-	-	0%
TOTAL REVENUE	430,143,152.48	11,250,320.12	441,393,472.60	438,327,443.85	3,066,028.75	99%
EXPENSES						
Staff Cost	201,951,567.47	- 1,485,771.00	200,465,796.47	202,662,414.86	- 2,196,618.39	101%
General and Operations Expenses	133,021,673.20	16,489,410.00	149,511,083.20	148,861,166.62	649,916.58	100%
Board Expenses	13,003,274.00	10,136,658.00	23,139,932.00	23,009,427.05	130,504.95	99%
Depreciation and Amortization Expenses	-	83,161,208.43	83,161,208.43	83,161,208.43	-	100%
Maintenance Expenses	53,726,859.00	6,150,661.00	59,877,520.00	59,538,736.13	338,783.87	99%
Finance costs	8,238,000.00	- 6,855,593.00	1,382,407.00	1,383,128.44	- 721.44	100%
TOTAL RECURRENT EXPENDITURE	409,941,373.66	107,596,573.43	517,537,947.09	518,616,081.53	- 1,078,134.44	100%
Profit or Loss	20,201,778.81	- 96,346,253.31	- 76,144,474.50	- 80,288,637.68	4,144,163.18	
Capital Expenditure	47,332,328.00	-	47,332,328.00	45,820,429.00	1,511,899.00	97%
TOTAL EXPENDITURE	457,273,701.66	107,596,573.43	564,870,275.09	564,436,510.53	433,764.56	100%

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19. 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 Company is wholly owned by the County Government of Embu and is domiciled in Kenya. The Company'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 *Company's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Company*.

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.

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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 2023

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

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	taxable and deductible temporary differences.	
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ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

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

The Directors do not plan to apply any of the above since they are not applicable. 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 Company did not early – adopt any new or amended standards in year 2022/2023.

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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 Company 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 Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities. The Company 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 Company 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 Company actually receives such grants. During the year under review the company received the following grants;
WSTF Grant: The company received grant from water services Trust Fund (WSTF) in form of capital grant to extend the water line and construct a water kiosk in Gachuriri area. The Company received Kshs 10,575,274 which has been recognized as grant income. As at the end of the period the project had not been completed and this has been recognized as capital works in progress.
- 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 they accrue.
During the period the company received Kshs 23,509,500 as compensation from Kenya urban roads authority (KURA) for the relocation and rerouting of the main pipeline during the upgrading to tarmacking standards of Mugoya-Karurina-Muthatari – Kimangaru road. As at the end of the period the project had not been completed and this has been recognized as capital works in progress.

b) In-Kind contributions

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In-kind contributions are donations that are made to the Company 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 Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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 have recognized both the capital projects and the work in progress. As at the end of the year we had a total of Kshs 27,188,149.00 as work in progress for Gachuriri water pipeline and the rerouting of Mugoya-Karurina pipeline.

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%
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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 none 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) Amortization and impairment of intangible assets

Amortization 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

Investment property, held to earn rentals and /or for capital appreciation is measured at cost including transaction cost. Investment property is carried at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit and loss in the period they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Changes in fair values are included in profit or loss in the income statement.

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h) Right of Use Asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method/ FIFO. 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 continuous 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. During the year an amount of Kshs 1,968,336.00 was written off after an approval by the board. This is the money lost in the year 2012. It

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was stolen by the staff when the company used to collect bills in cash and has remained unrecovered since then. This has been treated as a prior year adjustment in our books.

In the year under review an amount of Kshs 31,519,506 in respect to tax recoverable (VAT refundable claim) may not be realizable since the claim has been outstanding for a long period and has been rejected by KRA. However, the company has lodged an appeal through alternative dispute resolution (ADR) through the consultant.

n) Taxation

i) Current income tax

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

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. We had income tax provision of Kshs 22,821,846.59 as at the start of the year under review. However, after recomputation of the income tax we noted that the actual income tax due was Kshs 620,715.00. We therefore transferred Kshs 22,201,132.00 to the retained earnings. All the income taxes for the previous years have been filed and the due payments made to Kenya Revenue Authority.

ii) 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.

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.

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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.

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

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 Company and the same taxation authority.

iii) 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 amount to Kshs 13,185,348.00 which is the deferred income from the amortization of capital grants.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, cash at bank, M-pesa mobile Money account and 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

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and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various EWASCO commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized staff and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Borrowings

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

s) Capital Grants and Amortization.

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. During the year capital grants amortization was Kshs 13,185,348 which has been recognized as deferred income in the income statement.

t) 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 Company or not, less any payments made to the suppliers.

During the year an amount of Kshs 11,036,702 relating to the municipal council of Embu levies which have been outstanding in our books for over ten years was written after the approval by the board of directors. This has been treated as a prior year adjustment in our books.

u) Retirement benefit obligations.

The company 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.1,080 per employee per month.

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v) **Provision for staff leave pay**

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

w) **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Company 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.

v) **Budget information**

The original budget for FY 2022-2023 was approved by the EWASCO Board on June 17, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Company upon receiving the respective approvals in order to conclude the final budget.

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, 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.

x) **Comparative figures**

The comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation of the water companies reporting template.

y) **Subsequent events**

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

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z) Contingent liability

A contingent liability is a liability that may occur depending on the outcome of an uncertain future event. A contingent liability has to be recorded if the contingency is likely and the amount of the liability can be reasonably estimated a possible obligation depending on whether some uncertain future event occurs. Pending lawsuits are considered contingent because the outcome is unknown.

During the period under review the company had various legal issues in court, 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.

CASE TITLE	NATURE OF DISPUTE
Embu CMCC no. 101 of 2022 (plaintiff) Kibetu General Builders Ltd -versus - (defendant) EWASCO	CONTRACTUAL DISPUTE The Plaintiff claims the contract was undervalued. Phase 2 of the contract remains unpaid and he seeks to recover Kshs. 2,265,131.89 from the Company with interest as from 17 th February 2020.
Embu CM. no. 142 of 2022. Anderson Nyaga Wachira -versus- EWASCO	CIVIL CLAIM The plaintiff prays for damages from EWASCO for non-compliance with the Persons with Disability Act.
Nyeri ELRC constitutional petition no. E008 of 2023. Josphat Nthiga Kamwaro -vs- EWASCO.	LABOUR DISPUTE The petitioner has sued the company seeking to stop the recruitment process for an M.D on grounds that the advert for the position is discriminative.
Embu constitutional petition no. E001 of 2023. Catherine Wawira Njiru -vs- EWASCO & others.	CONSTITUTIONAL DISPUTE. Petition seeks to bar EWASCO Board from appointing James Mubothi as a director on grounds of lack of qualification.
MCCR E328 of 2023 r -vs- Julius Irungu Macharia	CRIMINAL CASE. Found in possession of an EWASCO gate valve.
MCCR E of 2023 r -vs- James Mugendi Njeru	CRIMINAL CASE Found in possession of 9 EWASCO fittings.
MCCR E of 2023 r -vs- Moris Mawira Kinyua	CRIMINAL CASE Found in possession of 4 EWASCO water meter shells.
Nairobi Constitutional petition no. E327 of 2022 (petitioners) James Gacheru Kariuki & 19 others -versus- (respondents) EWASCO & 69 other water companies.	CONSTITUTIONAL DISPUTE. An application within the petition seeks information on all directors, personal details of all managing directors, payroll, audited accounts and loan agreements from March 2013 to date. Petition seeks to have water companies countrywide transform from private to public limited companies.

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<p>Embu petition no. 6 of 2022 (petitioners) Joy Mukami Ngugi & 4 others -versus- (respondents) the governor of embu, county executive committee member for water irrigation environment & natural resources, County Secretary Embu County, EWASCO and WASREB. (Interested parties) Mercy Muringo Njagi, Rt. Rev. Dr. Samuel Nginyi, Vimal Shah, Dickson Njiru</p>	<p>CONSTITUTIONAL DISPUTE. The petition alleges external intervention in the appointment of three directors. (The interested parties). That the Interested parties have not met the qualifications prescribed by the Corporate Governance Guidelines for the Water Sector (2018) for appointment as directors of EWASCO.</p>
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5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

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c) Provisions

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

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

- i) Provision for bad & doubtful debts: The Company has provided for the doubtful debts at rate of 5 % on provision of the total outstanding debt and 100% on specific debts.
- ii) Provision for gratuity: The Company has staff on contract for 3 or 5 years who are paid gratuity at rate of 31% and 12.5% per month worked payable at the expiry of the contract. The management has recognized the same by providing for the gratuity amounting Kshs 11,549,957.00 as at the end of the period.

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6 Operating Revenue	2023 KSHS	2022 KSHS
Water Sales	309,739,145	310,274,729
Meter maintainance	20,587,100	19,780,400
Sewerage services	60,330,670	55,661,659
	<u>390,656,915</u>	<u>385,716,788</u>
<u>Billing for other Services</u>		
New connections application fee	283,864	300,484
Meter testing & Meter Replacement	1,102,000	519,950
Reconnections	547,567	612,422
Labour charges	5,853,650	6,261,800
Miscellaneous- Reprint	151,600	128,220
Miscellaneous- illegal	-	15,000
Miscellaneous- Bulk water sale	1,416,400	412,142
Miscellaneous- water test	27,000	54,000
Sewer connection fee	282,000	590,000
Dumping fee - Other exhausters	195,000	195,000
Exhauster services	915,000	710,000
	<u>10,774,081</u>	<u>9,799,018</u>
TOTAL OPERATING INCOME	<u>401,430,996</u>	<u>395,515,806</u>
7 Grant Income		
Donations -CLSG	-	9,241,625
Donations- Chemicals pipes	-	4,000,000
Donations - WSTF	-	-
Deffered Income(Grant Amortization)	13,185,348	13,545,307
	<u>13,185,348</u>	<u>26,786,932</u>
8 Other Income		
Insurance Compensation	201,600	100,000
Decrease in provision of doubtful debts	-	858,103
Road Destruction Compensation	23,509,500	-
	<u>23,711,100</u>	<u>958,103</u>
9 Finance Income		
Interest Income	-	-
	<u>438,327,444</u>	<u>423,260,840</u>
10 Staff Cost		
Salaries	160,611,395	136,634,453
Casual Wages	6,706,231	1,736,769
Staff Medical Expenses	15,387,310	18,977,276
Employer Contribution-Pension	12,290,270	7,975,769
Provision for gratuity	7,204,951	3,962,768
Staff Baggage& longterm service award	122,058	60,628
Staff benovelent Employer	340,200	289,000
	<u>202,662,415</u>	<u>169,636,663</u>
Average number of employee during the year	228	163

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11 General and Operations Expenses		
Office Rent	466,084	235,818
Insurance	4,653,847	3,556,546
Security	6,505,351	4,740,370
Utility (Water & Electricity)	3,061,491	3,062,670
Fuel and Oil	11,832,133	7,792,367
Mailing & Postage	56,239	331,796
Telephone	3,397,264	3,239,080
Printing and Stationery	1,397,059	1,070,406
Supply operations costs	1,994,734	1,549,742
Corporate Social Responsibility	677,375	107,520
Advertising and promotion-Corporate Image (PR)	1,701,899	1,710,779
Customer Relation Expenses	458,172	635,781
General office Expenses	5,640	2,000
Provision for Doubtful debts(increase)	376,936	
Provision for Audit Fees	675,000	675,000
Consultancy fee	6,229,108	8,643,975
Company Secretarial Services	585,529	812,402
Waspa meetings	1,716,607	679,190
Subscriptions	244,160	236,100
Hospitality Meetings (Stakeholders)	2,600,434	1,649,655
Legal Expenses	18,435,044	29,946,098
WASREB- Regulatory Levy	29,309,258	4,051,646
WASREB Non-Compliance Penalty	3,836,844	-
Staff CHA Expense	1,115,335	-
Staff Subsistence	3,931,879	3,876,550
Staff Teambuilding & Benchmarking	19,250	5,620,370
Staff Amenities	3,478,996	3,281,413
Staff Training	5,886,756	6,797,822
Staff End of the Year Party	1,608,900	1,472,903
Staff Sports	3,606,452	6,595,590
Cleaning and hygiene	2,420,215	2,347,692
Photocopier & Generator expenses	41,800	76,766
Newspapers and periodicals	57,336	58,927
Water chemical treatment	15,291,756	12,587,140
GIS Costs	725,701	708,419
Quality Test	325,930	218,531
Non revenue expenses	1,503,191	826,055
Pro poor activities	1,215,478	188,500
Nema & KEBS	248,400	-
Protective gears	745,550	2,029,284
OBA Admin Expenses	148,087	
Stakeholders and AGM Expenses	2,506,860	2,077,055
WARMA Abstraction fee	3,767,087	4,195,895
	148,861,167	127,687,853
12 Board Expenses		
Chairman Honorarium	900,000	675,000
Sitting allowances	9,536,249	8,570,130
Medical Insurance	1,145,570	-
Induction and Training	5,522,135	2,356,649
Travel and Accommodation	4,422,520	-
Other Board Expenses	1,482,953	-
	23,009,427	11,601,779
13 Depreciation and Amortization Expenses		
Depreciation	80,289,174	89,492,223
Amortisation for Intangible Assets	2,872,034	3,812,078
	83,161,208	93,304,300
14 Maintenance Expenses		
Motor Repairs	4,408,745	5,199,205
Water supply system repairs	30,369,564	34,251,522
Building Repairs and Maintenance	2,696,294	454,335
Computer Expenses	2,094,953	2,405,817
Software Maintenance and Upgrading	4,248,574	898,758
Operations & Maintenance works	5,358,370	1,312,309
Sewer expenses	10,135,301	832,481
Exhauster & Bowser expenses	226,935	1,385,073
Total Maintenance & Production cost	59,538,736	46,739,499
15 Finance costs		
Interest charges	-	3,090,062
Bank charges & Mpesa	1,383,128	1,791,756
Total Finance Costs	1,383,128	4,881,817
TOTAL EXPENDITURE	518,616,082	453,851,912
SURPLUS/(DEFICIT) FOR THE YEAR	- 80,288,638	- 30,591,072
16 LESS: NON TAXABLE INCOME		
Grants Income	-	13,241,625
Deferred Income	13,185,348	13,545,307
	13,185,348	26,786,932
SURPLUS FOR THE PERIOD	- 93,473,986	- 57,378,004

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17 PROPERTY, PLANT AND EQUIPMENT										
	Land	Office & Building	Motor Vehicles & Cycles	Computers & Peripherals	Equipment & Furnitures	Plant & Machinery	Fixture & Fittings	Water meters	Work in Progress	Totals
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
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	680,001.40	5,738,985.20	7,420,077.00	5,201,804.79		39,182,374
TOTAL ASSETS	8,814,385.00	30,326,054.58	45,557,305.19	20,149,944.76	54,768,581.49	547,213,328.29	488,141,930.76	83,065,322.68		1,278,036,853
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	1,518,505.72	53,601,509.32	22,114,012.16	5,792,210.09		89,492,223
TOTAL ACC DEP	-	4,837,918.46	33,635,596.68	15,548,806.49	44,139,041.44	172,002,763.05	333,343,845.65	40,589,115.37	-	644,097,087
As at 30.06.2022	8,814,385.00	25,488,136.12	11,921,708.51	4,601,138.27	10,629,540.05	375,210,565.24	154,798,085.11	42,476,207.31	-	633,939,766
2023										
As at 01.07.2022	8,814,385.00	30,326,054.58	45,557,305.19	20,149,944.76	54,768,581.49	547,213,328.29	488,141,930.76	83,065,322.68		1,278,036,853
Additional	-	598,000.00	-	2,920,400.00	2,157,126.00	5,838,554.00	-	7,118,200.00	27,188,149.00	45,820,429
TOTAL ASSETS	8,814,385.00	30,924,054.58	45,557,305.19	23,070,344.76	56,925,707.49	553,051,882.29	488,141,930.76	90,183,522.68	27,188,149.00	1,323,857,282
Dep as at 1.7.22	-	4,837,918.46	33,635,596.68	15,548,806.49	44,139,041.44	172,002,763.05	333,343,845.65	40,589,115.37	-	644,097,087
Charge for the year	-	521,722.72	2,980,427.13	2,256,461.48	1,598,333.26	47,631,139.90	19,349,760.64	5,951,328.88		80,289,174
TOTAL ACC DEP	-	5,359,641.18	36,616,023.81	17,805,267.97	45,737,374.70	219,633,902.96	352,693,606.29	46,540,444.25	-	724,386,261
As at 30.06.2023	8,814,385.00	25,564,413.40	8,941,281.38	5,265,076.79	11,188,332.79	333,417,979.33	135,448,324.47	43,643,078.43	27,188,149.00	599,471,021

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	2023 Kshs	2022 Kshs
18 INTANGIBLE ASSETS		
COST		
At July 2022	19,364,809	8,522,975
Additional	678,600	10,841,835
As at June 2023	20,043,409	19,364,809
AMORTISATION		
At July 2022	10,469,961	6,657,883
Charge for the Year	2,872,034	3,812,078
At June 30 2023	13,341,995	10,469,961
NET BOOK VALUE		
At June 30 2023	<u>6,701,414</u>	<u>8,894,848</u>
19 INVENTORY		
Pipes & Fittings and Chemicals	<u>30,352,432</u>	<u>35,984,898</u>
20. TRADE AND OTHER RECEIVABLES		
Trade debtors	261,818,261	254,184,365
Less: Specific provision for Bad Debts		
General provision for Doubtful Debts	13,090,913	12,709,218
Prior - Year adjustments for bills	-	-
Net Trade Debtors	248,727,348	241,475,147
Prepaid Insurance	14,816,500	12,581,938
TWSB	659,225	659,225
Salary, medical & Business Advance	1,453,522.20	1,721,518
WASREB(licence bond)	-	3,836,844
Cash Loss	-	1,968,336
JICA Project	359,278	359,278
Total Trade & other Receivables	<u>266,015,873</u>	<u>262,602,285</u>
20. AGEING ANALYSIS OF THE TRADE RECEIVABLES.		
0-30 Days	23,479,601	19,612,643
31-60 Days	11,326,271	10,720,368
61-90 Days	7,311,479	6,406,115
91-120 Days	7,335,987	7,634,859
Over 120 days	212,364,924	209,810,380
Total	<u>261,818,261</u>	<u>254,184,365</u>
21 TAX RECOVERABLE		
KRA Refund claims	31,519,506	31,519,506
Total	<u>31,519,506</u>	<u>31,519,506</u>
22 BANK AND CASH BALANCES		
Cash at Bank	34,546,854	26,959,574
Cash in hand	9,350	898
M-pesa Mobile money Account	262,458	314,502
	<u>34,818,662</u>	<u>27,274,974</u>
DETAILED ANALYSIS OF CASH & CASH EQUIVALENT		
Financial Institution	2023	2022
	Ksh	Ksh
a) Current Account		
Equity Current Account	466,213	457,162
Equity 8th Call UPC current account	1,038,242	1,133,267
Coop Exhauster a/c	6,481,178	3,316,189
OBA Coop current account	10,953,036	4,931,647
KCB Current Account	835,677	835,877
Coop Current Account	2,033,818	2,395,568
Escrow	1,903,119	1,903,119
Sub Totals	<u>19,643,647</u>	<u>14,972,829</u>
b) Fixed Deposit Account		
Coop Call Deposit Account	2,108,684	2,257,371
c) Saving Account		
Coop Saving Account	12,551,772	6,503,442
Nawiri Saving Account	-	1,136
Sub Totals	<u>12,551,772</u>	<u>6,504,579</u>
d) Collection Account		
Post Bank	-	83,055
Postal Corporation	242,750	3,141,740
Sub Totals	<u>242,750</u>	<u>3,224,795</u>
e) Others (Specify)		
MPESA Mobile money Account	262,458	314,502
Cash at Hand	9,350	898
Sub Totals	<u>271,808</u>	<u>315,400</u>
Grand Totals	<u>34,818,662</u>	<u>27,274,974</u>

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23 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	<u>100,000</u>	<u>100,000</u>
24 REVALUATION ACCOUNT		
	<u>150,665,469</u>	<u>150,665,469</u>
25 REVENUE RESERVES		
Bal as at 1st July 2022	385,637,799	417,861,509
Municipal Council of Embu Write off	11,036,702	-
Cash Loss Write off	-	1,968,336
Over provision in prior year/s	22,201,132	-
Profit for the year	-	80,288,638
Bal as At 30/06/2023	<u>336,618,660</u>	<u>385,637,799</u>
26 BORROWINGS		
Bal as at 01/07/2022	-	59,223,119
Loan Repayment	-	59,223,119
Bal as At 30/06/2023	-	-
27 PROVISIONS-GRATUITY		
	2023	2022
Balance at the beginning of the year	5,255,449	-
Additional Provisions	6,294,508	5,255,449
Provision utilised	-	-
Totals	<u>11,549,957</u>	<u>5,255,449</u>
28 TRADE AND OTHER PAYABLES		
	2023	2022
Trade payables	202,125,977	170,862,776
Accrued expenses	-	-
Employee payables	9,701,681	6,378,276
Other payables	23,899,808	28,868,052
Total	<u>235,727,468</u>	<u>206,109,105</u>
29. REFUNDABLE DEPOSITS AND PREPAYMENTS		
	2023	2022
Customer deposits	87,889,221	82,615,284
Prepayments by customers	6,580,125	5,273,937
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	<u>94,469,345</u>	<u>87,889,221</u>
30 DEFERRED INCOME		
	2023	2022
Balance brought forward	141,737,388	155,282,695
Additions	10,575,254	-
Transfers to Capital fund	-	-
Transfers to income statement	13,185,348	13,545,307
Other transfers	-	-
Balance carried forward	<u>139,127,294</u>	<u>141,737,388</u>
31 TAXATION		
	2023	2022
At beginning of the year	22,821,847	22,821,846.59
Income tax charge for the year	-	-
Over provision in prior year/s	22,201,132	-
Income tax paid during the year	-	-
At end of the year	<u>620,715</u>	<u>22,821,847</u>

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OTHER DISCLOSURES

32 RELATED PARTY DISCLOSURES

Embu County Government

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

Other related parties include:

- The County Department in charge of Water.
- Water works Development Agencies
- WASREB (Water Services Regulatory Board)
- WRA (Water Resource Authority)
- Water Sector Trust Fund
- Key management
- Board of directors

33. FINANCIAL MANAGEMENT RISK

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

i) 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;

As at June 2023	CREDIT RISK			
	Total Amount	Fully Performing	Past Due	Impaired
	KShs	KShs	Kshs	Kshs
Trade Receivable	248,361,795	161,435,166	86,926,628	0
Other Receivables	48,808,031	17,288,525	31,519,506	0
Bank Balance	34,818,662	34,818,662	-	0
Total	331,988,487	213,542,353	118,446,135	-
As at June 2022				
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	-

ii) 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

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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.

As at June 2023	LIQUIDITY RISK			Totals
	Less than 1 Month	Between 1-3 Months	Over 5 Months	
	KShs	KShs	KShs	KShs
Trade Payables	13,834,584	27,107,505	161,183,888	202,125,977
Employee Benefit	9,701,681		-	9,701,681
Total	23,536,264	27,107,505	161,183,888	211,827,657
As at June 2022				
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

iii) Capital Risk

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

	CAPITAL RISK	
	2023	2022
Revaluation reserve	150,665,469.00	150,665,469.00
Retained earnings	336,637,899.59	385,637,799.00
Capital reserve	100,000.00	100,000.00
Total funds	487,403,368.59	536,403,268.00
Total borrowings	-	-
Less: cash and bank balances	34,818,661.51	27,274,974.40
Net debt/ (excess cash and cash equivalents)	265,462,175.99	262,602,285.49

34.Incorporation.

The company is incorporated in Kenya under the companies act and is domiciled in Kenya.

35.Events after the reporting Period.

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

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APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.

NO	AUDIT ISSUE	OBSERVATION	MANAGEMENT REPOSE	STATUS	TIME FRAME
1.0	Unsupported Bank Balance	<p>The statement of financial position and as disclosed in Note 24 to the financial statements reflects cash and cash equivalents balance of Kshs.27,274,974 which includes a balance of Kshs.3,141,740 in Postal Corporation which was not supported with bank confirmation certificate, bank reconciliation statements and bank statement. This is contrary to the Regulation 90(1) of Public Finance Management (County Government) Regulations,2015 which states that accounting officers shall ensure bank accounts reconciliations are completed for each bank account held by that accounting officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the auditor General.</p> <p>In the circumstances, the accuracy and completeness of Kshs.3,141,740 could not be confirmed</p>	<p>The balance of Kes 3,140,740 in the financial statements was a balance that was not remitted by postal corporation to EWASCO. Upon follow up they have submitted our statements and after reconciliation the pending amount is Kshs 242,750.00. The bank has shared the certificate of balance, statement and bank reconciliation has been done.</p>	Resolved	
2.0	Unsupported Revenue - Other Income	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs.27,745,035 in respect to other income which includes Kshs.4,000,000 donation from Embu County Government. However, the management did not provide any document to show amount and nature</p>	<p>The amount queried is Kshs 4,000,000.00 received from Embu County Government which was used to buy pipes.</p>	Resolved	

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		<p>of grant involved. Further, out of the amount of Kshs 4,000,000 received, the 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 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 contrary to section 68 of Public Procurement and Asset disposal Act,2015.In addition, the pipes were not taken on charge as required by Regulation 93(3) of the Public Procurement and Asset disposal Act,2020.which states that the goods procured shall be taken on charge by the officer responsible for 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. of the contract agreement between the Company and Embu County Government established the following anomalies;</p> <p>In the circumstances, the accuracy and completeness of other income amount of Kshs.4,000,000 could not be confirmed.</p>	<ul style="list-style-type: none"> i) The said pipes were acquired from Doshi Company Limited who is a prequalified supplier, The tender documents are available. ii) Procurement documents are available. iii) The management opted to buy from the least quoted bidder, this was determined from the annual tender as per the attached documents where Doshi was recommended. iv) They were received by the respective officer and already installed. 		
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3.0	<p>Unsupported Expenditure</p> <p>3.1 Unsupported Expenditure - Establishment Cost Kshs.3,395,361</p> <p>3.2 Unsupported Expenditure - Maintenance and Production Costs.</p>	<p>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.130,295,290 in respect to establishment cost, 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.</p> <p>In the circumstances, the accuracy and validity of expenditure amount of Kshs 3,395,361 could not be confirmed.</p>	<p>The security services were procured and the evaluation carried out. Contract for the same engagement is available.</p>	Resolved	
	<p>3.3 Unsupported Expenditure - Fuel</p>	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 17 to the financial statement reflects an amount of Kshs.60,244,613 in respect to maintenance and production costs which includes Kshs. 4,195,895.00 paid to Water Resources Management Authority (WARMA) for 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.</p>	<p>The WRA levy is paid pursuant to the provisions of the Water Resources Management Rules – 2007, Second Schedule (Pg.256). In our circumstances, the abstracted volume is calculated from the Production meters. We have attached all the receipts from WRA and an acknowledging the</p>	Resolved	

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	<p>In the circumstance, the accuracy and validity of the expenditure amount of Kshs 4,195,895 could be confirmed.</p>	<p>payments made during the year under review.</p> <p>The abstraction permit renewal is currently underway.</p> <p>i) The firm Ola Energies was procured and the Evaluation minutes are there.</p> <p>ii) Management noted the issue of contract period.</p> <p>iii) The management has procured another fuel company which is operational and a valid contract is in place.</p>	Resolved	
4.0	<p>Unsupported KRA Refund Claims Criteria</p> <p>The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other receivables balance of Kshs. 294,121,792.00 which includes Kshs. 31,519,506.00 in respect to KRA refund claims. However, the Management did not provide a</p>	<p>In the circumstance, the accuracy and completeness of the expenditure amount of Kshs.5,930,585 in respect to fuel could not be confirmed.</p>	<p>During the year the company engaged a consultant (Earnest & Martin) to do reconciliation of the I-tax credits and</p>	<p>Not resolved</p> <p>31/12/2022</p>

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		<p>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 totaling Kshs. 73,548,119 resulting in unreconciled variance of Kshs. 42,028,613.00.</p> <p>In addition, the Management engaged Ernest & Martin Associates as a consultant to ascertain 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 VAT balance of Kshs. 30,739,537.00 whereas the financial statements reflect a balance of Kshs. 31,519,506.00 resulting in unreconciled variance of Kshs. 779,969.00.</p> <p>Further, the consultant's draft report reflects total non-claimable input VAT of Kshs.29,410,769 but there was no record to show the composition or breakdown of the balance.</p> <p>In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.31,519,506 could not be confirmed.</p>	<p>follow up the same with the Kenya Revenue Authority, From the exercise it was noted that actual credits amount to Kshs. 30,739,537.00 as per the consultant's report, the balance of Kshs. 779,969.00 is the VAT claims for the subsequent year.</p> <p>This therefore explains the difference of Kshs. 42,028,613.00.</p>		
5.0	Unaccounted Receivable - Cash Loss.	<p>The statement of financial position and as disclosed in Note 23 to the financial statements reflects total trade and other receivables balance of Kshs. 294,121,792.00 which includes Kshs. 1,968,336.00 in respect to cash loss.</p>	<p>The Kshs 1,968,336.00 was lost in the year 2012. Efforts to recover the same has been futile. The employees involved had</p>	Resolved	

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		<p>However, the Management did not provide a schedule detailing the cash loss and there were no details on how the money was lost, the purpose of the funds and the officers involved. Further, the Management did not provide the action and steps 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 adequate measures, including legal action where appropriate, are taken to obtain payment.</p> <p>In the circumstances, the recoverability of the funds lost is doubtful, In addition, the Management was in breach of the law.</p>	<p>their services terminated and the same has been written off in the year 2022/2023 after approval by the board.</p>		
6.0	Stalled Project- Fencing of Old Sewerage	<p>The statement of financial position and as disclosed in Note 6 to the financial statements reflects Kshs.633,939,766 in respect to property, plant and equipment, which includes Kshs. 39,182,377.84 in respect to additions during the year which further includes Kshs. 3,264,233.00 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.</p>	<p>The old sewerage fencing project started like all other sites but after surveying the parcel, it was established that there are sections of the parcel that were heavily encroached. We embarked on the formal engagement with the Embu County Government, through the CECM Water, to help evict the encroachers. This process has taken unusually long thus affecting the</p>	Not Resolved	30/12/2023

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		<p>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 the Management did not enforce performance of the contract within the contract period.</p> <p>In the circumstances, the value for money for the expenditure amount of Kshs 3,264,233 could not be confirmed.</p>	<p>project implementation. We thus treated this an act of nature, which could not have been foreseen by either party to the contract thus constitute <i>force majeure</i> under FIDIC conditions of contract 2017. The ECG is yet to advise.</p> <p>Components of the works under the old sewerage were executed such as the surveying and establishment of beacons and site clearance, from where we stablished the encroachment. The other component that was done was commencement of the fabrication of the concrete posts. So, it is good to note that the project had actually commenced and stalled due to challenges enumerated in one above.</p>		
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			<p>The total expenses from this site alone are Khs 605,250 only. In respect of the items listed in (2) above.</p> <p>The board has approved the fencing of the section which is not encroached as we follow up on the encroached section.</p>		
7.0	Budgetary Control and Performance.	<p>The approved final supplementary budget for the year ended 30 June, 2022 reflects an approved final income budget of Kshs.436,372,920 against a total expenditure budget of Kshs.451,759,755 resulting in a budget deficit of Kshs.15,386,835. This is contrary to Regulation 31 (c) of the Public Finance Management (County Governments) Regulations, 2015 which states that the budget revenue and expenditure appropriations shall be balanced.</p>	<p>The concern is well noted and the company management will be committed to prepare a well-balanced and realistic budget in future for easy planning and compliance with the law.</p>	Resolved	
	7.1 Unbalanced Budget				
	7.2 Budgetary Performance	<p>The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.436,372,919 and Kshs.423,260,840 respectively resulting to an underfunding of Kshs.13,112,079 or 3% of the budget. Similarly, the company expended Kshs.455,484,550 against an approved</p>	<p>The company prepares budget estimates based on the estimated demand and supply of services offered in addition the expenditure is also dependent on the plans for the period. The</p>	Resolved	

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		<p>budget of Kshs.451,759,755 resulting to unauthorized expenditure of Kshs.3,724,795 or 1% of the budget.</p> <p>The underfunding may have affected planned activities and may have impacted negatively on service delivery to the public, In addition, the company incurred unauthorized spending of Kshs 3,724,795.</p>	<p>company being a limited company solely depends on the internally generated funds to finance its operations and plough back any surplus made.</p> <p>Where the revenue actualized does not meet the budget, the management reviews the budget and prepares a supplementary at the same time reviews its plans in order of priority based on the available resources.</p> <p>Though the realignment of plans in order of priority may impact on implementation of initial plans may not necessarily be negatively to service delivery but instead a postponement of some plans.</p>		
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			It also important to note that both the original budget and the plans; and also, the supplementary budget and revised plans are further approved by the board.		
8.0	Irregularities in Procurement	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 available tender evaluation report, the firm which was lowest evaluated bidder at a tender price of Kshs.7,034,240. However, the tender evaluation committee recommended the contract to be awarded to the second lowest evaluated bidder at a tender price of Kshs.7,531,833 without any justification. In addition, the management did not provide a professional opinion from the head of procurement in respect to the tender for audit review as required under section 84(1) of the Public Procurement and Asset Disposal Act,2015 which states that the head of procurement function 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	1. The tender was awarded to the second lowest bidder Impax Solutions at Kes 7,531,833.60 since they were the most responsive bidder and within the allocated budget. Impax was in joint venture with our billing system developer Sulis and also has implemented a system working with Eldoret water. The management has noted and will ensure procurement procedures are followed.	Resolved.	
	8.1 Irregular Procurement of Accounting, Finance, HR and Supply Chain Management System.				

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		opinion to the accounting officer on the procurement or asset disposal proceedings. In circumstances, the company was in breach of the law.	2. The Professional opinion available.		
	8.2 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, available contract agreement was signed on 8 June,2021 which was more than thirty days after the notification of award. This is contrary to section 135(3) of Public Procurement and Asset Disposal Act 2015 which states that written contracts 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.	The delay in issuing the notification of award to the successful bidder was occasioned by the delayed receipt of the acceptance from the same bidder. The management has noted and will ensure procurement procedures are followed.	Resolved	
	8.3 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 Kshs. 2,483,385 in respect to other operating expenses which includes Kshs. 2,347,692.00 in respect to cleaning and hygiene which further includes	Cleaning services contract for the previous year was extended by another one year. Evaluation minutes	Resolved	

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		1,871,200 paid to a firm in respect to cleaning services. However, the Management did not provide, tender documents and framework agreement in respect to the contract. This 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 signature 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.	and the contract are available.		
9.0	Failure to Prepare and Publish Contract Awards	During the year under review, the Company did not prepare and submit a report to Public Procurement Regulatory Authority on preferences and reservations indicating 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 company was in breach of the waw.	We have prepared and submitted contract awards reports to Public Procurement Regulatory Authority as per the Act. For the year 2022/23 we submitted quarterly reports.	Resolved	
10.0	Failure to Prepare and Submit Quarterly Financial and	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	We have submitted quarterly financial statements to the relevant authorities on or before the	Resolved	

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	Non-Financial Statements	<p>to the County Treasury and the Auditor-General. This is 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 gazette 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.</p> <p>In the circumstance, the Management was in breach of the law.</p>	due dates for the year 2022/23.		
11.0	Registration of the Company Motor Vehicles	<p>Records provided for audit revealed that the Company had a total of eighty-nine (89) motor vehicles and motor cycles. However, the motor vehicles and motor cycles had private registration number plates. This is contrary to the Section 12 of the Traffic (Regulation Plates) Rules, 2016 which states that state corporation vehicle shall bear the required number plates of optical recognizable characters depending on the type of motor vehicles embossed and printed in white or blue aluminium reflective sheet.</p> <p>In the circumstance, the company was in breach of law.</p>	<p>EWASCO is registered as private Company under the companies Act Cap 486. Motor vehicle registration is on private vehicle for all vehicles purchased from internally generated funds. For any vehicle received as donation or grant from a government Company it is registered as per the requirement of that Company.</p>	Resolved	

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12.0	Delay in Remittance of Tax	<p>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 given why the Company failed to pay the tax when due. This is contrary to section 104(1) 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 governments debt and other obligations and developing a framework of debt control for the county.</p> <p>In the circumstances, the company was in breach of the law.</p>	The amount queried is an accumulation of tax provision for the period 2010/2011 to 2019/2020. The breakdown has been attached.	Not Resolved	30/12/2023
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13.0	Non-Adherence to Ethnic Balance	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 13 to the financial statements reflects 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 one ethnic community. This is 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.</p> <p>In the circumstances, the company was in breach of law.</p>	<p>This has attribute to the fact that majority of the employee who in lower cadre comprising of plumbers, water attendants and meter readers most cases are drawn from the locality. This will be resolved progressively by the company factoring in future recruitments</p> <p>The management is committed to comply with the National Cohesion and Integration Act 2008; this will be made possible in the future recruitments.</p>	Not Resolved	30/06/2026
14.0	Non-implementation of Recommendations from Oversight Bodies Criteria	<p>The County Assembly of Embu invited Embu Water and Sanitation Company Limited to appear before the Embu County Assembly Public Accounts and Investment Committee vide a letter dated 01 February 2021 REF: CAE/LEG/10/VOL.XXIII (23) for discussion of the Auditor General report for the period ended 30 June, 2018 and the County Assembly came up with recommendations</p>	<p>The management is committed to implementing all the pending issues as per the county assembly findings and recommendations. Majority of the issues have</p>	Not Resolved	30/06/2024

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		<p>through a report dated 30 July 2021 Ref: CAE/LEG/16/VOL.VI/ (97) in pages thirty (30) and thirty-one (31) which were supposed to be implemented within sixty (60) days pursuant to standing order No. 195 as quoted in the report. However, there was no evidence that the Management implemented the recommendations. This is contrary to section 53(1) of the Public Audit Act,2015 which states that the relevant accounting 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.</p> <p>In the circumstances, the Management was in breach of law.</p>	<p>been resolved while a few remains pending.</p>		
15.0	Non-Revenue water (NRW)	<p>During the year, the Company produced 7,705,097 m³ volume 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 bench mark of 25% as stipulated in WASREB Impact Performance Report No. 13/2021. which states that the acceptable sector bench mark for non-revenue water is between 20%-25% .The high volume of NRW represents unaccounted for water valued at approximately Kshs.187,712,873 (at an a average cost of</p>	<p>NRW continues to pose challenges to our operations. Major contributors to the observed high levels are:</p> <ul style="list-style-type: none"> • Old and dilapidated infrastructure of pipelines, treatment facilities, storage tanks, etc. 	Not Resolved	30/06/2025

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		<p>Kshs.64.50 per unit) which is a loss to the company. This may affect the company's long-term sustainability.</p>	<ul style="list-style-type: none"> • Old and less accurate domestic water meters • Water theft and illegal water use for miraa irrigation. • Pressure induced leaks and bursts. • Encroachment onto the road reserves and damages due to roadworks • Old pipes passing through private properties. • Vandalism in the lower areas of Kanyuambora, Kiritiri and Gachoka by Miraa farmers, herdsmen and malicious people. <p>Below are strategies to deal with NRW sustainably.</p> <ul style="list-style-type: none"> • Community policing and water 		
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			<p>police unit to address widespread vandalism.</p> <ul style="list-style-type: none"> • Infrastructure upgrade to replace the old and dilapidated infrastructure • Upgrade billing software to address apparent losses. • Metering to improve revenue. • We have a dedicated surveillance team. • Formation of District Metered areas with smart meters for monitoring the NRW. <p>Liaison with other stakeholders</p>		
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16.0	Lack of Deposit or Retention Account.	<p>The statement of financial position and as disclosed in Note 6 to the financial statements reflects a balance of Kshs.633,939,764 in respect to property, plant and equipment, which includes additions during the year totalling to Kshs.39,182,377. 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 is 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 (30) days following the final acceptance by the accounting officer of the procuring entity</p> <p>In the circumstance, contractors' retention money may be applied to other expenses hence not readily available to be paid to contractors whenever due.</p>	The company opened a retention account.	Resolved	
17.0	Lack of Approved Information Communication Technology (ICT) Pol	The Company did not have an approved ICT policy. In 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 Finance Management Act,2012 which states that a public entity should always ensure that all its records, financial or	The company has an approved ICT Policy.	Resolved	

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		<p>otherwise kept in electronic form are adequately protected and backed up.</p> <p>In the circumstances, the security and reliability of the Company's data including the management information system could not be confirmed.</p>			
18.0	Lack of Risk Management Policy	<p>During the financial year under audit, the Company did not have an approved risk management policy contrary to Section 158 (1)(a), (b) of the Public Finance Management (County Governments) Regulations, 2015.</p> <p>In the circumstances the management may not have a mechanism to identify operational risks including fraud in order to timely respond and address them.</p>	The company has an approved Risk management policy.	Resolved	



 Eng. JAMES NJUE NJERU
 MANAGING DIRECTOR

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APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

NO	Project	Total Project cost	Total Expended to date	Completion % to date	Budget	Actual	Sources of Funds
1.	Gachuriri Waterline Extension	17,723,307.00	11,116,640.00	30/10/2023	17,723,307.00	11,116,640.00	Water Sector Trust Fund & EWASCO
2.	Mugoya Water Line Relocation	23,509,500.00	17,030,622.00	30/09/2023	23,509,500.00	17,030,622.00	National Government