REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NGANDORI WATER AND SANITATION COMPANY LIMITED PLC

FOR THE YEAR ENDED 30 JUNE, 2024

NGANDORI WATER AND SANITATION COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

June 30, 2024

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting

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1. Acronyms and Glossary of Terms

ICPAK	*Institute of Certified Public Accountants of Kenya*
IFRS	*International Financial Reporting Standards*
MD	*Managing Director*
PFM	*Public Financial Management*
PSASB	*Public Sector Accounting Standards Board*
WASREB	*Water Services Regulatory Board*
WSTF	*Water Sector Trust Fund*
DCC	*Deputy County Commissioner*

2. Key Entity Information

Background information

Ngandori Nginda Water Consumers Association was established under section 10 of the Societies Act cap 108 in March 2004. It was then incorporated as a public limited liability company in March 2024 and changed the name to Ngandori Water and Sanitation Company PLC. At county level, the company is represented by the County Executive Members responsible for finance, water and sanitation, who together with the board of directors are responsible for the general policy and strategic direction of the company. The company is domiciled in Embu County, with headquarters at Kangaru and has branches/regions in Kairuri, Kathangariri, Nembure, Kangaru and Kibugu.

Principal Activities

The principal activity of the company is to provide potable, efficient and cost-effective water for domestic use, to customers in its area of coverage.

Our vision is to be the leading water services provider in the country.

Our mission is to supply clean, potable and adequate water for domestic use on a reliable, affordable and sustainable basis to all customers.

The core values that guide the operations of the company and its relationship with stakeholders are:

i. Transparency and Accountability.
ii. Integrity and Commitment.
iii. Efficiency and Social Responsibility.
iv. Fairness and caring.
v. Environmental friendliness.
vi. Confidence and Courtesy.
vii. Peace and fear of God.
viii. Teamwork and Trust.

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Directors

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

1.	Stephen Njiru Jonah	- Chairman	- Appointed on 5th September 2021
2.	Patrick Nderi Njoroge	- Vice Chairman	- Appointed on 9th September 2022
3.	Elas Wanja Kinyua	- Treasurer	- Appointed on 5th September 2021
4.	Cosmas Nthiga Nyaga	- Secretary	- Appointed on 24th August 2023
5.	Alfred Miriti Mangu		- Appointed on 5th September 2021
6.	Joseph Nyaga Daniel		- Appointed on 5th September 2021
7.	Henry Kimani Nthiga		- Appointed on 30th April 2024
8.	Catherine Wanja		- Appointed on 9th September 2022
9.	Pius Njeru		- Appointed on 9th September 2022
10.	Kenneth Muciri Njue		- Appointed on 24th August 2023
11.	Zephaniah Mugambi		- Appointed on 5th September 2021
12.	Lydia Muthoni		- Appointed on 24th August 2023
13.	Cecilia M. Munyi		- Appointed on 9th September 2022

14. Chief Officer-Water, Irrigation, Natural Resources, Environment and Climate Change, Embu County
15. Chief Officer- Finance, Embu County
16. FCS Richard K. Gikuhi- Company secretary, Appointed on 15th February 2024

Note: All directors were re-appointed on 5th March 2024 after company incorporation for a term of three years.

Company Secretary
Gikuhi Kiana and Company,
P.O. Box 1271 – 10100,
Nyeri, Kenya.

Registered Office
Ngandori Water Building,
Kangaru Market, along Embu-Mbuvori Road
P.O. Box 1328 - 60100
Embu, Kenya

Corporate Headquarters
P.O. Box 1328 - 60100
Embu, Kenya
Kangaru Market, along Embu-Mbuvori Road

Corporate Contacts
Telephone: (254) 709 747 759
E-mail: ngandoriwater@yahoo.com
Website: www.ngandoriwater.com

Corporate Bankers
Cooperative Bank of Kenya
P.O Box 1337 - 60100
Embu

National Bank of Kenya
P.O Box 2290 – 60100, Embu

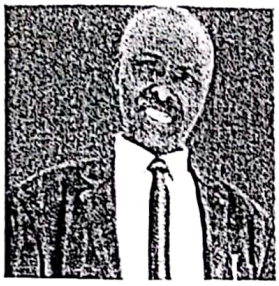
Daima Sacco Ltd
P.O Box 2032 – 60100, Embu

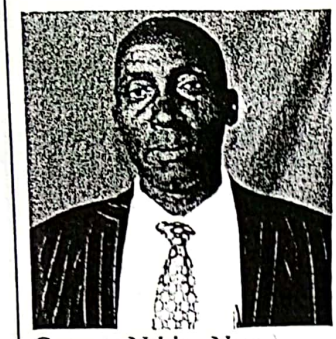
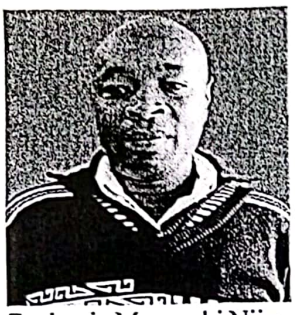
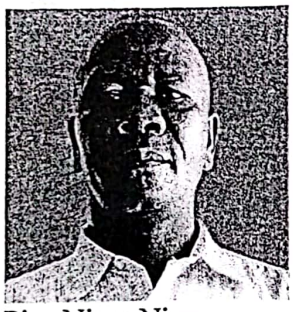
Nawiri Sacco Society Ltd
P.O Box 400 – 60100,
Embu

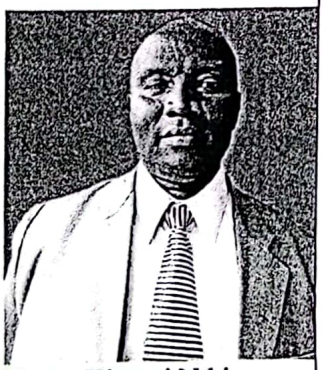
Independent Auditor
Auditor General,
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GPO 00100
Nairobi, Kenya

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

3. The Board of Directors

Directors	Details
 Stephen Njiru Jonah	Mr. Stephen Njiru the board chairman is 63 Years old, a former military officer of the Kenya Army with an experience spanning more than 21 years of service. He is also a member of Kathangariri tea factory delegate forum. He holds O level certificate.
 Patrick Njoroge Nderi	He is 63 Years old and a member of board. He is a retired primary school teacher with special emphasis to differently abled learners mainly the deaf. He holds PTE/DIP in Special Needs
 Elas Wanja Kinyua	Madam Elas is 63 years old. She is a member of Upper Rupingazi Water Resources Company. She has been very helpful in ensuring that the catchment areas around the intake are secure. She holds O level certificate.

 Cosmas Nthiga Nyaga	He is 52 years old. He is an accountant by profession with experience in management having worked as a Managing Director for Itabua Water project. He is a distinguished accountant currently with University of Embu. He holds a BCoM (Finance & Banking 0ption). He also holds a CPA(K)
 Zaphania Mugambi Njiru	He is 43 Years a member of the board, he is a member of Kibugu Farmers' Cooperative Society. He is also a director of Nginda Sacco and delegate of Kibugu Nguviu irrigation project steering committee. He holds O level certificate.
 Pius Njeru Njuguna	He is 53 years old and member of board. He is a member of Kibugu Farmers Company. He is an astute dairy farmer who represents the interest of the sector in the board. He holds O level certificate.
 Alfred Miriti Mangu	He is 69 Years old and a member of board. He is a retired National Kenya Scouts Company commissioner general and a teacher of great standing. He also has vast experience in Education administration having worked as a District Education Officer in Embu and Nyeri counties. He holds bachelor of Education from University of Nairobi(UoN)

 Joseph Nyaga Daniel	He is 65 Years old and a member of board. He is an ordained evangelist of Full Gospel Churches Of Kenya. He is the head pastor at Manyatta church. He holds O level certificate.
 Cecilia Mutitu Munyi	She is 65 Years old and a board member. She is a retired primary school teacher. She was the head teacher at Kigari Primary School. She holds a certificate in Primary school teachers Education (P1).
 Catherine Wanja Kinyua	She is 51 Years and a board member. She is a director of Gatunduri Irrigation CBO. She represents the interests of alternative water providers to the board. She is a member of the local chapter of the horticultural producers Company. She holds O level certificate.
 Henry Kimani Nthiga	He is 52 years old and a board member. He is a businessman running several businesses. He is a board member at Gatunduri Dispensary. He holds O'Level certificate.

 Kenneth Muciri Njue	He is years 42 years old and a board member. He is a businessman and a farmer. He holds O'Level certificate.
 Lydia Muthoni	She is 58 years old and a board member. She does agribusiness. She holds O'Level certificate.
 Geoffrey Munyi Gichatha	He is 50 years old and appointed on February 2018 as the Managing Director of the Company and also a part of board of directors. He brings a wealth of experience in Water delivery in both relief and development aspects. He is a manager of long standing having worked in the water sector for more than 20 years. He holds Diploma in Water Engineering and Bachelor of Arts (Project Management).
 FCS Richard K. Gikuhi	He is the Company Secretary and holds a Master's Degree in Business Administration and Certified Secretary with a wide range of experience in Corporate Governance and Management of over forty years. He is a fellow of the Institute of Certified Secretaries of Kenya, an accredited Governance Auditor and a member of the Kenya Institute of Management

4. Key Management Team

Managers	Details
 Geoffrey Munyi Gichatha	He is 50 years old and appointed on February 2018 as the Managing Director of the Company. He brings a wealth of experience in Water delivery in both relief and development aspects. He is a manager of long standing having worked in the water sector for more than 20 years. He holds Diploma in Water Engineering and Bachelor of Arts (Project Management)
 Isaac Mugendi Gichovi	He is 40 years old and appointed on May 2015 as a technical Manager of the Company. He brings a wealth of experience in Water delivery in both service water and design aspects. He is of long standing having worked in the water sector for over 9 years. He holds Degree in Water and Environmental Engineering
 Patrick Mukundi Njue	He is 46 year old and was appointed on 17/07/2019 as a Commercial Manager. He holds a Bachelor of Business Administration (Finance option) degree – Maseno University and experience of 16 years in finance.
 Esther Wawira Mbogo	She is 40 years old appointed in 2010 as Internal Auditor. She holds a Bachelor of Commerce (Finance) Degree (JKUAT), Diploma in Business Management (Kenya Institute of Management-KIM) and a CPA(K) Finalist(KASNEB). She has over 10 years' experience in Business, Accounting, Finance and internal Auditing.

5. Chairman's Statement

The Financial Year 2023/2024 started on a progressive note with a summon to the National Senate Committee on Public Investments in October 2023.Among the resolutions was to convert the Association to a Company in a bid to conform with the Water Act 2016 and the WASREB regulations on the formation and ownership of a WSP.

The process of registration was completed in March 2024 after rigorous public participation meetings with various stakeholders .This brought about change of name to "Ngandori Water and Sanitation Company PLC".

The County Government of Embu now fully owns the Company with shares to the County Secretary, C.E.C.M Water and Irrigation, C.E.C.M Finance and the Governor for the people of Embu. The County Government is fully represented in the board by the Chief Officers for water and finance. Directors of the defunct Association are on a transition holding for three years from the date of incorporation.

The Company is in the process of applying for license to operate from WASREB. The process is expected to come to fruition in the year 2024/2025.

To ensure 24 hours of supply to all our areas, the Company is still shopping for partners to construct supply mains from treatment works to Enos Tank.

I assure of my support to policies that will guide the new company to levels that are competitive in the sector and put NGANWASCO at the national map.

I wish to commend the management and staff for their selflessness in discharging their duties. I also call on the board members to do their best to ensure the Company shines.

.....

Stephen Njiru Jonah

Board Chairman.

6. Report Of the Managing Director

The year 2023/2024 marks a major milestone for Ngandori Water and Sanitation Company PLC (formerly Ngandori Nginda Water Consumers Association) having celebrated 20 years of existence as a water services provider.

The year under review holds a special place in the history of the WSP as one when we transitioned from an Association and incorporated as a Company PLC fully owned by County Government of Embu.

It was a year marked by growth in revenue from Ksh. 76.5 Million to Ksh. 91.9 Million. In the same year, the IMPACT Report No. 16 by WASREB ranked us at position 11 (eleven) among regulated WSPs an improvement from position 13 (thirteen) in the previous year.

Water Sector Trust Fund also committed Ksh. 5 Million fund for a project to install last mile connectivity pipelines to residents of Kiambogo and Mbukori in which we have received Ksh. 2.5 million during the year under review.

National Government administration officers led by Embu North D.C.C Mr. Ngaira have been very instrumental in ensuring that security of our infrastructure has been maintained.

We are looking forward to a more productive and progressive year 2024/2025.

.....

Geoffrey Munyi Gichatha

Managing Director

7. Statement Of Performance Against Predetermined Objectives for FY 2023/2024

Strategy	Activities	Performance indicator/ Output	Timeline	% achieved
Increase water production capacity from 9,000 m^3 per dayto: **Phase I**: 13,500m^3/day **Phase II**: 18,000m^3/day	Augment existing treatmentworks	**Phase I** • Total production of13,500 m^3 per day **Phase II** • Total production of18,000 m^3 per day	**Phase I** June 2021 **Phase II** June 2024	0
Rehabilitate distributionnetwork in Muthigi	• Install 12"pipe from T-works to BPT	• 1.6Km of 12"pipeline installed andoperational	June 2022	0
• Rehabilitate distribution networkin Rung'ang'a, Kathangariri and Njakairi areas.	• Install 6'' pipeline to Rung'ang'a, Kathangaririand Njakairi areas.	12Km of 6''pipeline installedand operational	June 2024	40
Construct water storage tanks in Muthigi, Gicherori, Rung'ang'a, Mucagori, Karuriri andKathangariri	Construct 6No.225m^3 masonry tanks in the respective areas	6 No of tanks of225m^3 capacity constructed	June 2024	17

Install distribution linesin Kithimu, Koi Mugo, Gicegeri,Ena and Mucagori areas	Install 4",3"and 2" distribution lines in therespective areas	10Km of distribution lines ofvarious sizes installed	Progressive 2019-2024	45
Liaison with donors anddevelopment partners for more funding	Writing proposals and followups with prospective donors	No of projectsfunded	Progressive 2019-2024	70
Sensitizing the community to create more demand	Hold barazas and meetingsASKs shows	No of sensitization meetings (Barazas) held	Progressive 2019-2024	50
Construct sanitation facilities in Manyatta and Kibugu areas	Construction of modern pourflush public sanitation Facilities	2 public toilets constructed and operational	June 2021	0
Undertake a baseline survey on sanitation,	Survey, design and undertake a community outreach &	Baseline survey report Increase sanitation	June 2021	0
And design a sensitizationprogram for improvement of sanitation	hygiene education campaign			
Improve home-based sanitation through community outreach and education/sensitization	Cost sharing on the construction of sanitation facilities on the homestead and residential	Operational sanitationfacilities within the area of supply	June 2024	20

	apartments Engage strategic partners and Donors			
Construct public Decentralised Treatment Facilities forManyatta and Kibugu	Survey and designs for theDTFs Acquisition of land Construct DTFs in Kibuguand Manyatta	Operational DTFs	June 2024	0
Acquire an exhauster	Acquire an exhauster for the Association	Functioning exhauster	June 2024	0

Reduce operational costs in material resources by 20% byyear 2024	• • • • Streamlining business processes and enhance internal controls • Automate all undertakings of the organizations	Improved efficiencyand institutional performance	June 2024	80
		All utility operationsare automated	June 2024	70
Build a modernoffice block	Production of Designs and approvals Construction	A well-furnished modern office block	June 2024	100
Setting up of a functional NRW unit	Proactively implement maintenance schedules	Monthly maintenance & implementationreports	Continuous	0

	Install Master/Zonal meters • Check meter accuracy on quarterly basis • Analyze daily consumption trends	Daily/Monthly consumption reports	Continuous	0
	Install 50 sub-zonal meters	50 meters installed	Continuous	0
	Customer meters • Investigate abnormal consumptions • Adopt GIS platform for meter reading	Abnormal consumptionreports	Continuous	50
	Replace meters more than 8 years old	Aged meter reportAccurate meter readings Replace non-functional aged meters	Continuous	50
	Improve customer management	• A customer	Beginning June	40
To increase • active water connections from 11,000 to 16,000	Customer recruitment • Media sensitization drives (1 per year) • SMS, e-mail and/or call to resolve	Projected increase inannual revenue: Year 1: 1,000,000 Year 2: 1,200,000	2019-2024	50

	pending issues • Reactivation of 20%+ dormant connections	Year 3: 1,440,000 Year 4: 1,728,000 Year 5: 2,073,600 Total: 7,441,600		
Increase collection efficiency by 0.5%per annum	• Proper meter reading • Timely bill Verification & generation • Timely notification of the due dates of bills • Improve debt collection efforts • Encourage customers to settle bills on time to avoid disconnection • Effective communication with customers • Specific staff assigned to debt	Increased collection efficiency by 0.5% peryear	2019-2024	70

	Collection • Customer database updated withmobile phone number of all active customers • Conduct sensitization forums Quarterly on early bill payment			
To increase billing efficiency and investigate new technologies, e.g. remote meter reading	• Ensure accurate monthly actualmeter reading • GIS mapping of the supply area • Monitor meter reading staff • Call customers to arrange meterreading • Community outreach and educationon owner meter reading • Pilot project on pre-paid meters • Explore online/ remote meterreading systems	Increase billing efficiency and accuracy	2019-2024	80
To improve financial accountability systems	• Complete the integration of thefinancial system • Review and improve the financialmanual • Review and improve internal	• Smooth running systems • Timely and accurate reports	December 2020	80
	controls of ERP system • Capacity building for staff			

	• Continuous Professional Education (CPE) for Members ofstaff			
Ensure procurementprocedures are efficient and alignedto PPOA	• Develop a procurement manual • Ensure procurement committees arefunctional • Ensure high supplier satisfactionlevels • Adopt e-procurement • Capacity building of staff • Ensure all adherence to PPDA 2015and Regulations 2016. • Establish a competent procurementfunction.	Proper procurement processes Proper procurement documentation	December2019	40

To improve efficiencyand effectiveness of functional activities	• Progressively operationalize the organizational structure • Training andinduction • Carry out one team building workshop annually for allstaff	• Operational structure • Number of staff trained • Team building eventconducted	Continuous 2019-2024	50
Provide staff capacity building opportunities toimprove performance	• Carry out training needs assessment and implement thereport	• Training Needs Assessment Report • Training schedule • No. of staff trained	2019-2024	30

Improve the occupationalsafety and health (OSH) work environment	• Baseline survey onoccupational safety and health / audit • Implementation of recommendations	Compliance with OSHguidelines	2019-2024	70
Ensure labour policies arein line with legal requirements and best practices	• Review HR policies and Codeof Conduct • Identify gaps and align in HR Policy	Improved labour relations/staff welfareand reduced labour disputes	Every 2 Years	100
To improve policies andprocedures through financial and systems audits	• Conduct audits • Implement recommendations	Improved systems, policies and procedures	Continuous	30
To increase staff productivity throughincentives to reward performance	• Develop performance andincentive scheme	Reward schemes in place that incentivize performance and strategic plan achievement	2019-2024	30
To build strategic partnerships in the sector	• Partnershipresearch • Proactive networking andcollaboration • Corporatebranding • Visibility in watersector activities	Identification of strategic opportunities and partners to supportstrategic plan achievement	2019-2024	15
To mainstream cross	Develop policy and	To provide a respectful	2019-2024	40

cutting issues in NNWCA	training to	and dignified work		
Policies	mainstream cross cutting issues that take into account • Gender equality • HIV/AIDS management • Psychologicalhealth and counselling • Environmentalissues • Health and safety • Disability • Anti-corruption	environment by mainstreaming cross cutting issues and improve overall performance		

• To strengthen the capacity of the boardon corporate Governance	• Develop board management manual	Board manual	June 2021	0
• Promote good corporate governancepractices	• Develop annual work plansfor the board.	Periodic progress reports	June 2021	40
	• Develop a successionmanagement policy	Succession management policy in place	June 2021	0
	• Develop a risk management plan	Risk management plan & risk register in place	June 2021	0

8. Corporate Governance Statement

The corporate governance structure ensures that we act with high standards of corporate behavi 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 compiled with, internal control systems are in place and operate effectively; in addition, ensure board decisions are fully implemented. The Board of Directors comprises 13 members elected by delegates during Annual General Meetings , 2 County representatives and the Company secretary. The Managing Director sits in the board as a secretary. The company secretary sits in the full board meetings. The directors have a broad range of skills and experience. The board has three committees namely; Technical Services committee, Finance, Administration and Strategy Committee and Audit, Risk and Compliance Committee. Any issue(s) outside the above committees may be handled by a specially constituted ad hoc committee, made by a resolution of the Board of Directors including its membership. The board, in consultation with management, develops strategic direction for the annual and long-term period. The board also prepares for the Annual General Meeting and determines the agendas in which annual audited accounts are presented.

At its regular meetings, the board considers: technical and financial progress quarterly reports, audit reviews and quarterly reports.

The company held induction workshop training for all the directors on governance and strategic plan.

Composition of the Board of Directors

The board is chaired by Mr. Stephen Njiru Jonah who chairs the board meetings giving direction during board meetings.

Technical Services Committee

The committee is chaired by Mr. Zephania Mugambi, and members include Mr. Joseph Nyaga, Mr. Kenneth Muciri and Ms. Elas Wanja.

The committee's secretary is the head of the Technical department. Each member of the committee has a general familiarity with the technical aspects of the water industry necessary to undertake the committee's responsibilities to oversee the company's technical activities. The

committee advises the Board of Directors on technical matters involving the company's internal and external projects. It assists the Board of Directors in monitoring and reviewing any project(s) development and major asset acquisition. The committee reviews and makes recommendations to the Board of Directors on matters relating to the infrastructure assets of the company, including building master plans, capital project plans and so on.

Finance, Administration and Strategy Committee

The committee is chaired by Mr. Alfred Miriti, and members include Mr. Patrick Nderi, Ms. Cecilia Munyi, and Mr. Stephen Njiru. The committee's secretary is the head of Finance and Commercial Services. Each member has experience in management skills necessary for discharge of duties. The committee supports and assists the board in the effective discharge of the Board's responsibilities in finance, corporate affairs such as human resource, information and communication and administration. The committee receives and reviews reports on the financial performance, annual budget, changes to the water tariff and staff matters. The committee ensures that adequate plans, policies and programmes are in place to promote the effectiveness, integrity and security of the company information technology systems and their operations.

Audit, Risk and Compliance Committee.

The committee is chaired by CPA(K) Cosmas Nthiga, other members include Mr. Pius Njeru, Ms. Lydia Muthoni, Ms. Catherine Wanja and Mr. Henry Kimani. The committee secretary is the head of Audit, Risk and Compliance department. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the company's financial reporting principles and policies, controls, procedures and its auditing activities. The committee meets and reviews reports from the Internal and External Auditors and considers management responses or actions thereto.

Committee reports summarising issues discussed by the respective committees, 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 in which stakeholders attended an Annual General meeting where they were briefed about the company and key areas highlighted.

9. Management Discussion and Analysis

The Companies Act requires the executive members to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the executive members to ensure that the company maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the company. The executive members are also responsible for safeguarding its assets. The executive members accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The executive members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 30th June 2024 and of its operating results for the year then ended. The executive members further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls. Nothing has come to the attention of the management committee to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the management committee on 10...../..12/..2024.and signed on its behalf by:

CHAIRMAN ..... **Managing Director**.....

Stephen Njiru **Geoffrey Munyi Gichatha**

10. Environmental And Sustainability Reporting

The company exists to transform lives through provision of water and sanitation services within our area of jurisdiction. This is our purpose; the driving force behind everything we do. It's what guides us to deliver strategy, putting the customer first, delivering water and sanitation services, and improving operational excellence The company recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need for company's relationships with customer, suppliers and others and the impact of its operations on the local communities and the surrounding environment where it operates. Customers are highly regarded and valued and their contribution to the company is highly respected.

i) Sustainability strategy and profile

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

Ngandori Water and Sanitation Company PLC, through the Board of Directors, Management, and Staff with the input of our stakeholders have developed the Strategic Plan (2024/2029) 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, Ngandori Water

and Sanitation Company PLC will continue to provide water and sanitation services in an efficient, effective, affordable and sustainable manner.

ii) Environmental performance

Ngandori Water and Sanitation Company PLC 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. The company complies with Water Resources Authority and National Environmental Management Act (NEMA) conditions.

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

The treatment process for water quality is controlled and assured internally and externally in strict compliance with the regulator requirements at the agreed periods.

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 various tree planting activities in Muthigi intake.

iii) Employee welfare

Staffs are a critical resource for the attainment of the corporate objectives. The company therefore prioritizes employees' welfare among other employees Management initiatives. The following are emphasized:

- Human resource management policies.
- Capacity building.

- Performance management.
- Safe work environment.

iv Marketplace practices-)

a) Responsible competition practice.

The company's core business is to supply treated domestic water which is regulated by the WASREB. The tariff used is approved by the regulator after a process of involving the stakeholders and holding a mandatory public engagement. Further the company promotes fair competition and respect for 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 a letter is issued to the successful bidder.

b) Responsible Supply chain and supplier relations

The company being a public entity is guided by the public procurement and Disposal Act of 2015 and also the Public Procurement and Asset Disposal Regulations 2020 in its procurement of goods and services to ensure competitive bidding and quality of product / service at lowest cost are realized. It also ensures that its suppliers are well sensitized on the company's procedures from procurement of goods/services to the final process of payment. The company also honours supplier contracts and respects payments within the credit period given.

c) Responsible marketing and advertising

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

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. The Company is committed to effective communication with the customers and sensitising them on key issues in the management of water resources especially at the consumption point. Though the Company has not fully met needs of un-served customers, the Company has endeavoured to extend service using its own resources and has even mobilised funds from donors and commercial loans to extend service to customers.

v) *Corporate Social Responsibility / Community Engagements*

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 the company's relationships with customers, 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.

The company recognizes the need for Corporate Social Responsibility (CSR) and sets aside funds for CSR during the annual budget. During the year under review, the company was involved in CSR activities below:

i) Paying water bills for the vulnerable customers like persons with disabilities and the aged.

ii) Tree planning to conserve the environment, especially water catchment areas.

iii) Participating during public holidays celebrations like Madaraka Day within our water supply area.

The company relies on the environment which provides water which is produced, treated and transmitted via pipeline to respective customers. Over the time the company has been advocating for water catchment protection and it has been represented in meetings for Water Resource Users Association (WRUA).The water treatment plant uses certified chemicals in the water treatment

II. Report Of The Directors

Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Company's affairs.

i) Principal activities

The principal activity of the company is provision of water services within the mandated area.

ii) Results

The results of the company for the year ended June 30, 2024 are set out on this report on page one. Below is a summary of the profit or loss made during the year.

iii) Dividends

The Company is a company registered under Companies Act and is owned by the community within the supply area. The company does not issue dividends instead any surplus is ploughed back to extend the service to the public.

iv) Directors

The members of the Board of Directors who served during the year are shown on this report in accordance with Regulation of the Company's Article.

v) Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article [illegible] of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the company for the year/period ended June 30, 2024, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his/her behalf.

Eng. Leonard K. Gikuhi
R. No. 285

Board Secretary

12. Statement Of Directors' Responsibilities

Section 164(2) (f) of the Public Finance Management Act 2012 and the Companies Act 201 require the Directors to prepare financial statements in respect of that entity, which give a tru and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the Ngandori Water and Sanitation Company PLC for that year. The directors are also required to ensure that the Ngandori Water and Sanitation Company PLC keeps proper accounting records which disclose with reasonable accuracy the financial position of the Ngandori Water and Sanitation Company PLC. The directors are also responsible for safeguarding the assets of the Ngandori Water and Sanitation Company PLC.

The directors are responsible for the preparation and presentation of the Ngandori Water and Sanitation Company PLC's financial statements, which give a true and fair view of the state of affairs of the Ngandori Water and Sanitation Company PLC for and as at the end of the financial year ended on June 30, 2024. These responsibilities include:

(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 Ngandori Water and Sanitation Company PLC;

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

(iv) Safeguarding the assets of the Ngandori Water and Sanitation Company PLC;

(v) Selecting and applying appropriate accounting policies; and

(vi) Making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the Ngandori Water and Sanitation Company PLC's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the companies. The directors are of the opinion that the Ngandori Water and Sanitation Company PLC's financial statements give a true and fair view of the state of Ngandori Water and Sanitation Company PLC's transactions during the financial year ended June 30, 2024, and of the Ngandori Water and Sanitation Company PLC's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the Ngandori Water and Sanitation Company PLC, which have been relied upon in the preparation of the Ngandori Water and Sanitation Company PLC's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on 10/12/2024 and signed on its behalf by:

.....	.....
Stephen Njiru Jonah Board chairman	Geoffrey Munyi Gichatha Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NGANDORI WATER AND SANITATION COMPANY LIMITED PLC FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Ngandori Water and Sanitation Company Limited PLC set out on pages 1 to 36, which comprise of the statement of

financial position as at 30 June, 2024, 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 Ngandori Water and Sanitation Company Limited PLC as at 30 June, 2024, 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. Unsupported Value of Land

As previously reported, the statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.117,009,492 in respect to property, plant, and equipment which includes a balance of Kshs.6,638,710 in respect to seven (7) parcels of land. However, the Management did not provide valuation report to show the values of the respective parcels of land.

In the circumstances, the value of the land balance of Kshs.6,638,710 owned by the Company could not be confirmed.

2. Long Outstanding Trade Receivable Balance

The statement of financial position reflects trade receivables balance of Kshs.48,303,430 net of provision for doubtful receivables of Kshs.2,496,095 as disclosed in Note 20 to the financial statements. However, review of ageing analysis records provided for audit revealed that trade receivables which have been outstanding for over three hundred and sixty (360) days amounted to Kshs.18,343,477 and have been outstanding for an inordinately long period without recovery. Further, Management did not provide measures and actions instituted to reduce outstanding receivables and recover the amounts owed to the Company.

In the circumstances, the recoverability of the trade receivables totalling Kshs.18,343,477 could not be confirmed.

3. Unaccounted for Refundable Deposit Balance

The statement of financial position and as disclosed in Note 28 to the financial statements reflects a balance of Kshs.2,352,201 in respect to refundable deposits and prepayments. Included in this balance is Kshs.1,631,050 for customer deposits. However, this amount was not supported by a corresponding bank account balance reflecting the same amount.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.1,631,050 could not be confirmed.

4. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss before tax of Kshs.6,786,764 (2023: a loss of Kshs.16,176,133) which brought the Company's accumulated loss to Kshs.22,962,897 as at 30 June, 2024 (2023: Kshs.16,176,133). Although the current liabilities balance of Kshs.48,450,615 did not exceed the current assets of Kshs.58,515,852, they included incorrectly classified long-term receivables balance of Kshs.18,343,477 therefore, overstating the current assets by Kshs.18,343,477, resulting to a negative working capital of Kshs.8,278,240 as at 30 June, 2024. The negative liquidity position was an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern.

The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Embu and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.

In the circumstances, the sustainability of the Company could not be confirmed.

5. Undisclosed Water Inventory Held in the Distribution Infrastructure

The statement of financial position reflects inventories balance of Kshs.3,484,206 as disclosed in Note 19 to the financial statements. The inventory is in respect of stationery and general stores. However, the Company did not value, present and disclose the amount of water held in the treatment plants, reservoirs and distribution systems at the end of year in accordance with the International Accounting Standard on Inventories (IAS) 2 which sets out the accounting treatment for inventories, including the determination of cost, the subsequent recognition of an expense and any write-downs to net realizable value.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.3,484,206 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budgets and actual amounts reflects final revenue budget and actual on comparable basis totaling to Kshs.136,493,627 and Kshs.97,503,057

respectively resulting into under collection of Kshs.38,990,570 or 29% of the budget. Similarly, the Company expended Kshs.98,596,317 against actual receipts of Kshs.97,503,057 resulting in over- utilization of kshs.1,093,260 or 1.1% of the actual receipts.

The under-performance and over utilization of the actual receipts affected the planned activities and impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables of Kshs.38,207,635 as disclosed in Note 27a to the financial statements. This balance includes trade payables totalling Kshs.33,283,258 which have been outstanding since 2021/2022 financial year and earlier years without clearance. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract s are reflected in approved budget estimates.

In the circumstances, the Company Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion Section of my report, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2024 contrary to Section 149(2)(l) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

Conclusion

Management is responsible for the Other Information set out on pages iii to xxxi which comprise of Company Information and Overall Performance, Statement of Performance against Company's Predetermined Objectives, Environmental and Sustainability

Reporting and Statement of Company's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Ngandori Water and Sanitation Company Limited PLC financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

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 thereon

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Non-Compliance with the Law on Staff Ethnic Composition

Review of payroll data and staff records provided for audit revealed that the Company had a total of nine (9) staff at the level of management (Job Group 1-3). However, as previously reported, it was noted that all employees were from the same ethnic community, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides 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.

2. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.91,975,856 and as disclosed in Note 6 to the financial statements in respect to water sales. However, review of the water records revealed that the Company produced water amounting to 2,340,094 cubic meters during the year out of which water amounting to 1,613,477 cubic meters was billed to customers resulting to 726,617 cubic meters as unaccounted for water or 31% of the total water produced which is above the recommended maximum of 25% as per the requirements of WASREB. No verifiable explanation was provided for the high percentage of unaccounted-for water.

The amount of Kshs.41,520,622 in respect to Non-Revenue Water could have improved service delivery to the public.

In the circumstances, the significant level of Non-Revenue Water may be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

3. Irregularities in Borrowing

The statement of financial position reflects borrowings balance of Kshs.38,774,910 which as disclosed in Note 26 to the financial statement includes amount of Kshs.8,500,000 in respect to borrowing during the year under review. However, review of records revealed that the borrowing of Kshs.8,500,000 was above the set limit of five percent of recent audited revenue of Kshs.3,962,452 (5% of Kshs.79,249,044). Further, no evidence of authorization of the loans from the County Assembly were provided for audit. This was contrary to Section 142(1) of the Public Finance Management Act, 2012, the County Assembly may authorize short-term borrowing by County Government entities for cash management purposes only. (2) Any borrowing under Subsection (1) may not exceed five percent of the most recent audited revenues of the entity.

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

4. Non-Adherence to Data Protection Act, 2019

Ngandori Water and Sanitation Company Limited PLC controls personal information from customers. Interviews conducted revealed that the organization has not registered with the Data Commissioner which poses a risk on the protection of sensitive information. This is contrary to Section 18 of Data Protection Act, 2019 which requires registration of data controllers and data processors.

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

5. Non-Compliance with Fiscal Responsibility Principles on Wage Bill

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects amounts of Kshs.48,018,198 in respect to staff costs. However, the Company incurred 46% on salaries as a percentage of operation and maintenance cost of Kshs.104,289,820 contrary to Paragraph 3.2 of the performance report of Kenya's Water Service Sector 2020/2021 from WASREB, issue Number 14/2022 on Performance Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of Operation and Maintenance Cost.

In the circumstances, Management was in breach of the WASREB Guidelines.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, except for the effects of the matter described in the Basis for conclusion on effectiveness of Internal Controls, Risk Management and Governance Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Carry Out Board Evaluation

The Board did not carry out the evaluation exercise contrary to Section 1.12 of Chapter 1 of Mwongozo Code of Governance, 2018 which states that the Board should determine its performance criteria and undertake an annual evaluation of its performance. The evaluation should cover the Board as a whole, its committees, individual members, the chairperson, the Chief Executive Officer and the Corporation Secretary.

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have been kept by the Ngandori Water and Sanitation Company Limited PLC so far as appears from the examination of those records; and,

iii. The Ngandori Water and Sanitation Company Limited PLC's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2024

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.

	Note	*2023/2024*	*2022/2023*
		Kshs	Kshs
Revenue			
Operating Revenue	6	91,975,856	76,583,092
Grants Income	7	2,518,288	440,400
Other Income	8	2,807,905	2,024,544
Finance income	9	201,008	201,008
Total Revenue		**97,503,057**	**79,249,044**
Expenses			
Staff Costs	10	48,018,198	36,120,205
General and Operations expenses	11	23,488,215	19,478,817
Board Expenses	12	6,006,550	3,984,023
Maintenance Expenses	13	11,959,317	18,358,126
Depreciation & Amortization expenses	14	9,518,833	10,231,088
Finance Costs	15	5,298,707	7,252,847
Total Expenses		**104,289,820**	**95,425,106**
Total Comprehensive Income for The Year		**(6,786,764)**	**(16,176,133)**

15. Statement Of Financial Position As at 30 June 2024

	Note	2023/2024	2022/2023
		Ksh	Ksh
Assets			
Non-current assets			
Property, plant and equipment	16	117,009,492	122,856,098
Intangible Assets	17	829,279	693,181
Long term deposits	18	1,400,562	1,400,562
Total non-current assets		**119,239,333**	**124,949,839**
Current assets			
Inventories	19	3,484,206	15,802,643
Trade and other receivables	20	48,303,430	44,515,728
Bank and cash balances	21	5,878,216	2,590,539
Short-term deposits	22	850,000	-
Total current assets		**58,515,852**	**62,908,910**
Total Assets		**177,755,185**	**187,858,749**
Equity and liabilities			
Capital and Reserves	30	121,383,336	121,383,336
Retained earnings	31	(22,962,897)	(16,176,133)
Capital and Reserves		**98,420,439**	**105,207,203**
Non-current liabilities			
Borrowings	26	30,884,131	36,116,432
Total non-current liabilities		**30,884,131**	**36,116,432**
Current liabilities			
Borrowings	26	7,890,779	1,514,269
Trade and other payables	27(a)	38,207,635	**44,198,867**
Refundable deposits and prepayments	28	2,352,201	821,978
Total current liabilities		**48,450,615**	**46,535,114**
Total Equity and Liabilities		**177,755,185**	**187,858,749**

The financial statements were approved by the Board on 10/12/ 2024 and signed on its behalf by:

.....	.....	.....
Geoffrey Munyi	***Joseph Muchangi***	***Stephen Njiru***
Managing Director	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No:	

16. Statement Of Cash Flows for The Year Ended 30 June 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	29	95,101,085	86,641,886
Grants Income	7	2,518,288	440,400
Finance Income	9	201,008	201,008
Other Income	8	2,807,905	2,024,544
Customer Deposits	28	961,500	669,500
Total Receipts		**101,589,786**	**89,977,338**
Payments			
Staff Costs	10	48,018,198	36,120,205
General And Operation Expenses	11	23,488,215	19,478,817
Board Expenses	12	6,006,550	3,984,023
Maintenance Expenses	13	11,959,317	18,358,126
Finance Costs	15	5,298,707	7,252,847
Total Payments		**94,770,987**	**85,194,018**
Net Cash From/ (Used In) Operating Activities		**6,818,799**	**4,783,320**
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16	(3,825,330)	(12,397,031)
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets			(-)
Short Term Deposits	22	(850,000)	(-)
Purchase Of Quoted Investments			(-)
Proceeds From Disposal of Quoted Investments			(-)
Net Cash From/ (Used In) Investing Activities		**(4,675,330)**	**(12,397,031)**
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings	26	8,500,000	40,000,000
Repayment Of Borrowings	26	(7,355,792)	(29,795,679)
Dividends Paid		-	(-)
Net Cash From/(Used In) Financing Activities		**1,144,208**	**10,204,321**
Cash and Cash Equivalents		**3,287,677**	**2,590,539**
Cash And Cash Equivalents At Beginning Of	**21**	**2,590,539**	-
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year	**21**	**5,878,216**	**2,590,539**

17. Statement Of Changes in Equity for the Year Ended 30 June 2024

	Notes	Ordinary share capital	Revaluation reserve	Fair value	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2022		-	-	-	-	-	121,383,336	121,383,336
New capital issued		-					-	-
Revaluation gain		-	-	-	-	-	-	
Transfer of excess		-	-	-	-	-	-	-
Deferred tax on excess		-	-	-	-	-	-	-
Fair value adjustment on		-	-	-	-	-	-	-
Profit for the year		-	-	-	(16,176,133)	-	-	(16,176,133)
Capital/Development		-	-	-	-	-	-	-
Transfer of		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid –		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2023			-	-	(16,176,133)	-	121,383,336	105,207,203
As at July 1, 2023			-	-	(16,176,133)	-	121,383,336	105,207,203
Issue of new share capital		-	-	-	-	-		
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess		-	-	-	-	-	-	-
Deferred tax on excess		-	-	-	-	-	-	-
Fair value adjustment on		-	-	-	-	-	-	-
Profit for the year		-	-	-	(6,786,764)	-	-	(6,786,764)
Capital/Development		-	-	-	-	-	-	-
Transfer of		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid –		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2024		-	-	-	(22,962,897)	-	121,383,336	98,420,439

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance Difference	% of utilization
	A	B	C=a+b	D	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating	101,849,136	-	101,849,136	91,975,856	9,873,280	90%
Non-Operating	2,150,424	-	2,150,424	2,807,905	(657,481)	131%
Grants	298,120,274	(265,830,274)	32,290,000	2,518,288	29,771,712	8%
Finance Income	204,067	-	204,067	201,008	3,059	99%
Total Revenue	**402,323,901**	**(265,830,274)**	**136,493,627**	**97,503,057**	**38,990,570**	**71%**
Expenses						
Staff Costs	43,615,445	(318,720)	43,296,725	48,018,198	(4,721,473)	111%
Board Expenses	7,905,455	(320,000)	7,585,455	6,006,550	1,578,905	79%
General Expenses	35,489,181	638,720	36,127,901	23,488,215	12,639,686	65%
Maintenance	16,107,820	-	16,107,820	11,959,317	4,148,503	74%
Finance costs	4,416,000	-	4,416,000	5,298,707	(882,707)	120%
Total Recurrent	**107,533,901**	-	**107,533,901**	**94,770,987**	**12,762,914**	**88%**
Capital expenditure	294,790,000	-	28,959,726	3,825,330	25,134,396	13%
Total	402,323,901	-	136,493,627	98,596, 317	37,897,310	72%

19. Notes To the Financial Statements

1. General Information

Ngandori Water and Sanitation Company PLC is established by and derives its authority and accountability from Company Act 2015. The company is wholly owned by the Embu County Government and is domiciled in Kenya. The company's principal activity is provision of water services within mandated areas. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the 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, are disclosed.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act *2015,* and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii. *Early adoption of standards*

The company did not early – adopt any new or amended standards in year under review.

otes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** are recognized in the year in which the company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Capital reserves** as recognized as assets handed over to Embu county Government in the year 2022 amounting to Ksh. 121,383,336

iv) **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.

v) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

vi) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vii) **Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

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.

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 cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/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:

Item	Rates
Water meters and fittings	12.5%
Buildings and civil works	2.5%
Infrastructure works	2.5%
Plant and machinery	2.5%
Motor vehicles, including motorcycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an w88ulintangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which 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. Any gain or loss arising from de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Summary of Accounting Policies

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. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

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.

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

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. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables at the rate of 5% of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

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. 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. 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.

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, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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 are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. 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 on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the reporting period.

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.

r) Trade and other payables

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

s) Retirement benefit obligations

The company operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by County Pension Fund(CPF) 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 6% of the gross salary per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 06/07/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final

budget. The 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 Comprehensive income has been presented under section 18 of these financial statements.

w) Service concession arrangements

The company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

x) Comparative figures

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

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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

Notes to the financial statements (continues)

Operating Revenue

	2023/2024	2022/2023
	Ksh.	Ksh.
Water sales (Billing)	91,975,856	76,583,092
Total	**91,975,856**	**76,583,092**

7. Grants Income

	2023/2024	2022/2023
	Kshs	Kshs
In kind contribution from Tana Water Development Agencies	-	440,400
Grant from Water Sector Trust Fund	2,518,288	-
Total	**2,518,288**	**440,400**

A detailed analysis of grants received from the Government.

Name of the Entity sending the Grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2023/2024
WSTF	2,518,288	-	-	2,518,276	2,518,276
Total	**2,518,288**	-	-	**2,518,276**	**2,518,276**

8. Other Income

	2023/2024	2022/2023
	Kshs	Kshs
New Connections	975,000	1,085,550
Reconnection Fee	1,057,005	921,496
Miscellaneous income	6,000	17,498
Surcharges	769,900	-
Total	**2,807,905**	**2,024,544**

9. Finance Income

	2023/2024	2022/2023
Description	**Kshs**	**Kshs**
Dividends	201,008	201,008
Total	**201,008**	**201,008**

[Dividends on UDS and IS from Nawiri Sacco]

10. Staff Costs

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Gross Salary and Allowances	37,608,273	29,208,161
Casual workers' Wages	365,600	799,735
Medical insurance schemes	2,915,812	2,899,997
Employer's contributions to social security schemes & pension	5,775,626	2,422,354
Staff retirement benefits	1,352,887	789,958
Total	**48,018,198**	**36,120,205**
The average number of employees during the year	**76**	**72**

General and Operations Expenses

	2023/2024	2022/2023
Description	**Kshs**	**Kshs**
Chemicals	2,868,251	1,507,815
Electricity	266,033	1,879,166
Fuel, oil, lubricants, and gases	2,445,728	927,018
Office supplies	257,567	596,133
Uniform and protective clothing	326,235	276,100
Telecommunication	625,794	631,319
Insurance	312,171	312,854
Rent and Rates	96,000	96,000
Hire of Equipment and vehicles	425,142	578,150
Domestic Traveling and subsistence	1,328,055	1,205,310
Staff training and development	448,200	413,200
Staff end of year seminar	1,340,055	1,103,575
Publicity and advertising	195,692	75,080
Audit fees	70,000	204,200
Legal/Consultancy fees	697,920	232,850
Cleaning and detergents	159,674	116,792
Licensing and levies	4,474,369	3,916,706
Sundry expenses	4,755	13,467
SMS billing	525,960	430,382
Staff welfare	459,533	326,644
Stakeholders' expenses	3,381,911	1,775,450
Donations/CSR	153,735	317,500
Office newspapers	59,340	58,320
Provision for doubtful debts	2,496,095	2,379,786
Subscription to WASPA & other professional bodies	70,000	105,000
Total	**23,488,215**	**19,478,817**

Notes to the financial statements (continued)

12. Board Expenses

Description	2023/2024	2022/2023
	KShs	KShs
Sitting allowances	1,908,000	2,040,000
Medical Insurance	511,802	554,411
Induction and Training	2,783,700	729,000
Travel and accommodation	803,048	660,612
Total Board Expenses	**6,006,550**	**3,984,023**

13. Maintenance Expenses

	2023/2024	2022/2023
Description	Kshs	Kshs
Buildings repair and maintenance	918,406	391,800
Infrastructural networks	3,961,447	13,454,280
Minor extensions (o & m)	4,924,515	2,642,412
Maintenance of Motor vehicles, motor cycles and generators	1,160,387	927,018
Software licenses renewals	885,492	843,766
ICT (Information Communication Technology)	109,070	98,850
Total Maintenance Expenses	**11,959,317**	**18,358,126**

14. Depreciation and Amortization Expenses

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant, and equipment	9,163,427	9,934,013
Amortization of Intangible Assets	355,406	297,075
Total Depreciation and Amortization	**9,518,833**	**10,231,088**

Notes to the financial statements (continued)

15. Finance costs

	2023/2024	*2022/2023*
Description	**Kshs**	**Kshs**
Bank Charges	70,237	189,491
Interest expense on loans	5,228,470	7,063,356
Total	**5,298,707**	**7,252,847**

Notes to the financial statements (continued)

16. Property, Plant and Equipment

COST	Land	Motor Vehicle	Buildings	Furniture & Equipments	Motor Cycles	Water & Fitting	Water Meter	Pipeline	Water Pipes	Computers	Tools	Tank	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 01.07.2022	5,888,710	1,302,884	19,598,476	1,186,210	985,446	4,925,986	15,795,548	25,408,867	37,648,704	352,916	220,766	7,282,565	120,597,078
Additions	750,000	-	9,826,871	58,500	-	672,984	670,496	-	-	165,500	48,680	-	12,193,031
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2023	**6,638,710**	**1,302,884**	**29,425,347**	**1,244,710**	**985,446**	**5,598,970**	**16,466,044**	**25,408,867**	**37,648,704**	**518,416**	**269,446**	**7,282,565**	**132,790,109**
Depreciation rate		**25%**	**2.50%**	**12.50%**	**25%**	**12.5%**	**12,5%**	**2.50%**	**12.50%**	**30%**	**12.50%**	**2.50%**	
Charge for the year		325,721	735,634	155,589	246,362	699,871	2,058,256	635,222	4,706,088	155,525	33,681	182,064	9,934,013
NBV at 30th June 2023	6,638,710	977,163	28,689,713	1,089,121	739,085	4,899,099	14,407,789	24,773,645	32,942,616	362,891	235,765	7,100,501	122,856,098

COST	Land	Motor Vehicle	Buildings	Furniture & Equipment	Motor Cycles	Water & Fitting	Water Meters	Pipelines	Water Pipes	Computers	Tools	Tank	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 01.07.2023	**6,638,710**	**1,302,884**	**29,425,347**	**1,244,710**	**985,446**	**5,598,970**	**16,466,044**	**25,408,867**	**37,648,704**	**518,416**	**269,446**	**7,282,565**	**132,790,109**
Additions	-	-	-	619,000	-	531,095	2,130,381	-	-	-	36,350	-	3,333,826
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30th June 2024	**6,638,710**	**1,302,884**	**29,425,347**	**1,863,710**	**985,446**	**6,130,065**	**18,596,425**	**25,408,867**	**37,648,704**	**518,416**	**305,796**	**7,282,565**	**136,106,935**
Depreciation Rate		**25%**	**2.50%**	**12.50%**	**25%**	**12.5%**	**12,5%**	**2.50%**	**12.50%**	**30%**	**12.50%**	**2.50%**	
As at 1st July 2023		325,721	735,634	155,589	246,362	699,871	2,058,256	635,222	4,706,088	155,525	33,681	182,064	9,934,013
Charge for the year		244,291	717,243	213,515	184,771	678,774	2,067,271	619,341	4,117,827	108,867	34,014	177,513	9,163,427
As at 30th June 2024		570,012	1,452,877	369,104	431,133	1,378,645	4,125,527	1,254,563	8,823,915	264,392	67,695	359,577	19,097,440
NBV at 30th June 2024	**6,638,710**	**732,872**	**27,972,470**	**1,494,606**	**554,313**	**4,751,417**	**14,470,898**	**24,154,304**	**28,824,789**	**254,024**	**238,101**	**6,922,988**	**117,009,492**

Notes to the financial statements (continued)

17. Intangible Assets

COST	Software	Total
	Kshs.	Kshs.
Balance as at 01.07.2022	786,258	786,258
Additions	204,000	204,000
Disposals	-	-
Balance as at 30th June 2023	**990,258**	**990,258**
Amortization rate	**30%**	**30%**
Charge for the year	297,077	297,077
NBV at 30th June 2023	**693181**	**693181**

COST	Software	Total
	Kshs.	Kshs.
Balance as at 01.07.2023	990,258	990,258
Additions	491,504	491,504
Disposals	-	-
Balance as at 30th June 2024	**1,481,762**	**1,481,762**
Amortization rate	**30%**	**30%**
Charge for the year	355,406	355,406
As at 30th June 2024	652,483	652,483
NBV at 30th June 2024	**829,279**	**829,279**

18. Long term deposits

	Account number	*2023/2024*	*2022/2023*
		Kshs	Kshs
Nawiri Sacco	103400054729	1,400,562	1,400,562
		1,400,562	**1,400,562**

(Unwithdrawable deposits at Nawiri Sacco)

19. Inventories

	2023/2024	*2022/2023*
	Kshs	Kshs
Inventories	3,484,206	15,802,643
Total	**3,484,206**	**15,802,643**

20. Trade and Other Receivables

	2023/2024	*2022/2023*
	KShs	KShs
Trade receivables	49,921,893	46,563,921
Less: provision for doubtful debts	(2,496,095)	(2,379,786)
Staff debtors	167,750	112,500
Rent prepayment	48,000	48,000
Insurance prepayment	661,882	171,093
Total receivables	**48,303,430**	**44,515,728**

20 (a)Trade Receivables

	2023/2024	*2022/2023*
Gross trade receivables	49,921,893	46,563,921
Provision for doubtful receivables	(2,496,095)	(2,379,786)
Net trade receivables	47,425,798	44,184,135

Notes to the financial statements (continued)

21. Bank and Cash Balances

	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	**4,161,857**	2,272,412
Cash in hand	289,709	232,197
Mobile money account	1,426,650	85,930
	5,878,216	**2,590,539**

Detailed analysis of the cash and cash equivalents

		2023/2024	2022/2023
Financial institution	**Account number**	**KShs**	**KShs**
a) Current / savings account			
Cooperative bank	01120052778400	882,553	1,570,830
Cooperative bank	01120052778401	601	4,206
Cooperative bank	01100052778400	11,120	164,407
Cooperative bank	01100052778401	20,735	21,215
Cooperative bank	012460527784	15,000	-
Daima Sacco	L05-001/014297-00	47,065	185,558
Nawiri Sacco	103200061625	434,705	316,196
National Bank	01020258164900	62,847	10000
National Bank	01020258164901	2,516,396	-
National Bank	01098258164900	170,684	-
Sub total		**4,161,857**	**2,272,412**
b) Others			
Imprest cash		289,709	232,196
Mobile money account		1,426,650	85,930
Sub- total		**1,716,359**	**318,126**
Grand total		**5,878,216**	**2,590,538**

Notes to the financial statements (continued)

22. Short- Term Deposits

		2023/2024	2022/2023
	Account Number	Kshs	Kshs
Short- Term Deposits	103210002769	850,000	-
Total		850,000	-

(Short term deposits held at Nawiri sacco)

23. Revaluation Reserve

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

24. Fair Value Adjustment Reserve

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

25. Retained Earnings

The retained earnings represent amounts available for distribution to the Company shareholders. Undistributed retained earnings are utilised to finance the Company business activities.

Notes to the financial statements (continued)

26. Borrowings

Description	2023/2024	2022/2023
	KShs	KShs
Domestic Borrowings		
Balance at beginning of the year	37,630,701	20,363,024
Domestic borrowings during the year	8,500,000	40,000,000
Repayments during the year	(7,355,792)	(29,795,679)
Accrued interests for year	5,228,470	7,063,356
Balance at end of the year	38,774,909	37,630,701

The analyses of both external and domestic borrowings are as follows:

26(a)

Description	2023/2024	2022/2023
	Ksh	Ksh
Short term borrowings (current portion)	7,890,778	1,514,269
Long term borrowings	30,884,131	36,116,432
Total	38,774,909	37,630,701

27. Trade and Other Payables

a) Trade payables

	2023/2024	2022/2023
	Ksh	Ksh
Trade payables	38,207,635	44,198,867
Total	38,207,635	44,198,867

Notes to the financial statements (continued)

b) Trade Payables adjustments

	2023/2024	*2022/2023*
	Ksh	Ksh
Tana Water Works Development Agencies(TWWDA)	8,086,489	-
Total	**8,086,489**	-

28. Refundable Deposits and Prepayments

	2023/2024	2022/2023
	Ksh	Ksh
Customer deposits (previous year)	669,550	-
Customer deposits (current year)	961,500	669,550
Prepayments by customers	721,151	152,428
Total	**2,352,201**	**821,978**

29. Operating receipts

Description	**2023/2024**	**2022/2023**
	KShs	**KShs**
Collection from sale of water (Actual)	95,870,985	86,641,886
Total Collection	95,870,985	86,641,886

30. Capital and Reserves

	2023/2024	*2022/2023*
	Kshs	*Kshs*
As at 30th June	*121,383,336*	121,383,336
Total	**121,383,336**	**121,383,3368**

Notes to financial statements (continued)

31. Retained Earnings

	2023/2024	2022/2023
	Kshs	*Kshs*
As at 1st July	(16,176,133)	-
Surplus/deficit for the year	(6,786,764)	(16,176,133)
Total	**(22,962,897)**	**(16,176,133)**

32. Cash flow Statements

	Notes	2023/2024
		Ksh
CASHFLOW FROM OPERATING ACTIVITIES		
Surplus generated from operating activities		(6,786,764)
Adjustments for Non-Cash items		
Depreciations	14	9,518,833
		2,732,069
Working Capital Adjustments		
Bank Charges & interest	15	585,727
(Increase)/decrease in inventory	17	12,318,437
(Increase)/decrease in Trade receivables	18	(3,787,702)
Increase/(decrease) Trade & Other payables	25(a)	(5,991,232)
Increase in Customer deposits	26	1,530,223
Customer water prepayments	26	(568,723)
Cash Generated from operations		4,086,730
Net cash in/(out) flow from operating Activities		**6,818,799**

Other disclosures

33. Related Party Disclosures

County Government of

Embu

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

Other related parties include:

- The County Department in charge of Water
- County Government of Embu
- Tana Water Works Develppment Agencies
- WASREB (Water Services Regulatory Board)
- Water Resources Authority
- Water Sector Trust Fund
- Key management
- Board of directors

Notes to the financial statements (continued)

34. Capital Commitments

The company did not have any capital commitment as at 30th June 2024.

35. Financial Risk Management

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2024				
Trade Receivables	47,425,798	-	49,921,893	2,496,095
Other Receivables	877,632	877,632	-	-
Short Term Deposits	850,000	850,000	-	-
Bank balances	5,878,331	5,878,331	-	-
Total	**55,031,761**	**7,605,963**	**49,921,893**	**2,496,095**
At 30 June 2023				
Trade Receivables	44,184,135	-	46,563,921	2,379,786
Other Receivables	331,593	331,593	-	-
Short Term Deposits	-	-	-	-
Bank balances	2,590,539	2,590,539	-	-
Total	**47,106,267**	**2,922,132**	**46,563,921**	**2,379,786**

ii) Liquidity risk management

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

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits.

(iv) Capital Risk Management

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

	2023/2024	2022/2023
	Kshs	Kshs
Capital reserve	105,207,203	121,383,336
Retained earnings	(6,786,764)	(16,376,133)
Net Capital reserve	98,420,439	105,007,203
Total funds	**98,420,439**	**105,007,203**
Total borrowings	38,774,909	37,630,701
Less: cash and bank balances	(5,878,331)	(2,590,539)
Net debt/ (excess cash and cash equivalents)	32,896,578	35,040,162
Gearing	**33.7%**	**33%**

36. Incorporation

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

37. Events After the Reporting Period

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

38. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the financial statements	Supporting documents were availed.	Resolved	
2	Unsupported cash and cash equivalents	Bank reconciliation statements were availed.	Resolved	
3	Unsupported value of land	Valuation process has stated.	Not resolved	June 2025
4	Inaccuracies in revenue	Billing and collection report were provided.	Resolved	
5	Unsupported board expenses	Supporting documents Provided.	Resolved	

Signature: .....

Name: Geoffrey Munyi Gichatha

Managing Director

Date: ...10/12/2024