REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

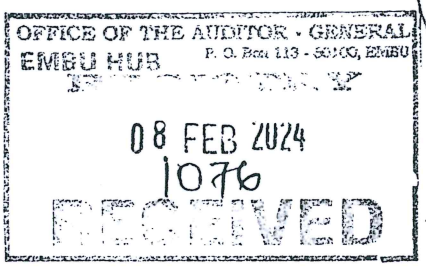
ON

NGANDORI-NGINDA WATER CONSUMER ASSOCIATION

FOR THE YEAR ENDED 30 JUNE, 2023

Revised on 30th June 2023







NGANDORI-NGINDA WATER CONSUMERS ASSOCIATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

1. Acronyms and Glossary of Terms

Acronyms and glossary of terms that appear in this annual report and financial statements.

ICPAK	*Institute of Certified Public Accountants of Kenya*
IFRS	*International Financial Reporting Standards*
GM	*General Manager*
PFM	*Public Financial Management*
PSASB	*Public Sector Accounting Standards Board*
WASREB	*Water Services Regulatory Board*
CIDP	*County Integrated Development Plan*
D.C.C	*Deputy County Commissioner*
A.C.C	*Assistant County Commissioner*

2. Key Entity Information

Background information

The Ngandori-Nginda Water Consumers Association was established under section 10 of the Societies Act cap 108 on March 2004. At County level, the Association is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Association. The Association is domiciled in Kenya with headquarter at Kangaru and has branches/regions in Kairuri, Kathangariri, Nembure, Kangaru and Kibugu.

Principal Activities

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

Our vision is to become the leading rural water service provider in Kenya.

Our mission is to supply 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 Association and its relationship with stakeholders are:

i. Transparency
ii. Accountability
iii. Integrity
iv. Commitment
v. Efficiency
vi. Social Responsibility
vii. Fairness
viii. Effectiveness
ix. Environmental friendliness
x. Confidence
xi. Courtesy
xii. Peace and fear of God
xiii. Teamwork
xiv. Trust

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.	P.N Munanyaki	- Vice Chairman	- Appointed on 14th November 2019
3.	Elas Wanja Kinyua	- Treasurer	- Appointed on 5th September 2021
4.	Cosmas Nthiga Nyaga	- Secretary	- Appointed on 14th November 2021
5.	Alfred Miriti Mangu		- Appointed on 5th September 2021
6.	Joseph Nyaga Daniel		- Appointed on 5th September 2021
7.	Patrick N. Nderi		- Appointed on 9th September 2022
8.	Catherine Wanja		- Appointed on 9th September 2022
9.	Pius Njeru		- Appointed on 9th September 2022
10.	Joseph Njagi James		- Appointed on 14th November 2019
11.	Zephaniah Mugambi		- Appointed on 5th September 2021
12.	Paterson Wandie		- Appointed on 14th November 2019
13.	Cecilia M. Munyi		- Appointed on 9th September 2022

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.

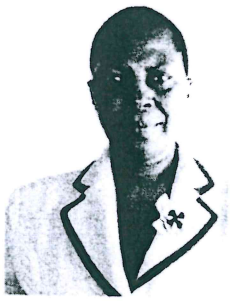
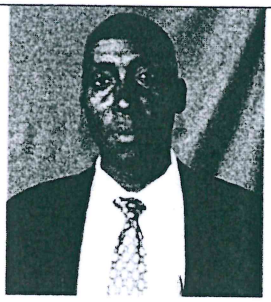
National Bank of Kenya
P.O Box 2290 – 60100,
Embu.
Daima Sacco Ltd
P.O Box 2032 – 60100,
Embu.

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

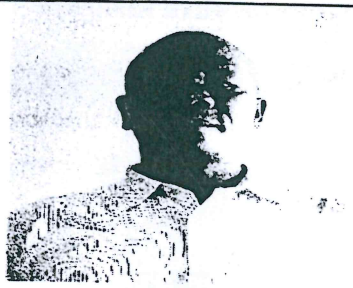
Independent Auditor
Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GPO 00100
Nairobi, Kenya

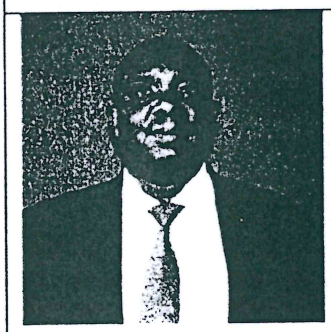
Principal Legal Advisers
The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors

 Stephen Njiru Jonah	Mr. Stephen Njiru the board chairman is 62 Years old, a former military officer of the Kenya Army with an experience spanning more than 20 years of service. He is also a member of Kathangariri tea factory delegate forum. He holds O level certificate.
 P.N Munanyaki	He is 71 years old and a vice chairman to the board of directors. He is retired Agricultural Officer who retired at the rank of a Manager at Muranga Agricultural Institute. He is a member of Eastern region Agricultural shows of Kenya; he is also an astute farmer in the region. He holds a diploma in Agriculture from Egerton University
 Elas Wanja Kinyua	Madam Elas is 62 years old and treasurer to the board. She is a member of Upper Rupingazi Water Resources Association. 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 51 years old and secretary to the board. He is an accountant by profession with experience in management having worked as a General Manager 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 42 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.
 Joseph Njagi James	He is 70 years old and a member of the board. He is a retired administrator at the level of a location chief. He also worked as a veterinarian in Embu County in charge stock control program in in Embu district. He holds O level certificate.
 Patrick Njoroge Nderi	He is 62 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
 Patterson J.M Wandie Kimong'oh	He is 70 Years old and a board member. He is a retired tutor and a member of privately owned Hostels Association. An active member of Kenya National chamber of commerce and industry-Embu. He holds O level certificate.

 Pius Njeru Njuguna	He is 52 years old and member of board. He is a member of Kibugu Farmers Association. He is astute dairy farmer who represents the interest of the sector in the board. He holds O level certificate.
 Alfred Miriti Mangu	He is 68 Years old and a member of board. He is a retired National Kenya Scouts Association 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 64 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 64 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 50 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 association. She holds O level certificate.
 Geoffrey Munyi Gichatha	He is 49 years old and appointed on February 2018 as the General Manager of the Association 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**)

4. Key Management Team

 Geoffrey Munyi Gichatha	He is 49 years old and appointed on February 2018 as the General Manager of the Association. 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 39 years old and appointed on May 2015 as a technical Manager of the Association. 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 9 years. He holds Degree in Water and Environmental Engineering
 Patrick Mukundi Njue	He is 45 year old and was appointed on 17/07/2019 as a Commercial Manager. Has a Bachelor of Business Administration (Finance option) – Maseno University and experience of 15 years in finance.
 Esther Wawira Mbogo	She is 39 years old appointed in 2011 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 Auditing.

5. Chairman's Statement

The year 2022-2023 has been characterized by growth both in numbers of consumers and financial capacity of our WSP.

We have remained focused on service provision to our consumers throughout the year and at the same time remaining loyal to our partners.

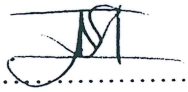
The County government of Embu has been represented fully in our board and the advice both technical and financial has impacted positively to our well-being. Our dedication to align our strategic plan to that of the county government of Embu CIDP has made it possible to have county government propose to include some of our key development projects in their future budgets.

In the last twelve months WASREB approved a new tariff that was gazetted in March 2023. This was after a rigorous stakeholder's engagement in the past year during the difficult period of Covid 19 pandemic. The new tariff will ensure cost recovery of our activities and ability to fund our operation and maintenance from our generated revenue.

To ensure effective service delivery, the Association is scouting for partners to add a new 315mm diameter pipeline from Muthigi treatment plant to Enos BPT covering 1.6 km. This will solve water shortage problems in the downstream areas of Nembure and Karurina.

The three new directors that have joined our board are most welcome to the family and I encourage each one of us to give our best in ensuring stellar performance of our mandate.

I wish to congratulate the management team and staff for the loyalty and dedication to their duties throughout the year.



.....

Stephen Njiru Jonah
Board Chairman.

6. Report Of the General Manager.

We have maintained our record of growth in superior performance in service delivery. Our consumers have recorded satisfaction with our response timelines and ability to keep our water supply at 24hours a day in the entire area.

Our revenue has grown to 76.5million during the year under review. This is as a result of implementing a new tariff as approved by WASREB in March 2023.This has ensured we can easily finance our activities without much strain.

Our staff has continued to exercise great regard and service to our consumers as evidenced by lesser complaints to our customer care desk. We have in our staffing ranks very qualified personnel to head all our departments.

Assistance by our partners and especially County Government of Embu has been very valuable. The inclusion of county government in our board meetings has ensured our strategic plan is in line with the **CIDP.**

With a consumer base of 19,380 Ngandori Nginda is considered a large Water service provider and has continued to perform relatively well at the national front as witnessed in the Impact report No. 15-2023 released by WASREB where we were ranked No 13 amongst regulated WSPS.

I want to register my appreciation to the national government officers led by Embu North DCC Mr. Owino and Nginda division ACC Mrs. Jane Macharia for ensuring the tariff Implementation process was smooth by organizing public barazas to educate members of the development in water pricing.

We hope for a better year 2023-2024.

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Geoffrey Munyi Gichatha

General Manager

7.Statement Of Performance Against Predetermined Objectives for FY 2022/2023

Strategy	Activities	Performance indicator/ Output
(Rehabilitate distribution network in Rung'ang'a, Kathangariri and Njakairi areas.	• Install 6'' pipeline to Rung'ang'a, Kathangariri and Njakairi areas.	12Km of 6''pipeline installed and operational.
Construct water storage tanks in Muthigi,Gicherori,Rung'ang'a, Mucagori, Karuriri and Kathangariri	Construct 6No.225m^3 masonry tanks in the respective areas	1 No of tanks of 225m^3 capacity constructed at Muthigi
Install distribution lines in Kithimu, Koi Mugo, Gicegeri,Ena and Mucagori areas	Install 4",3"and 2" distribution lines in the respective areas	10Km of distribution lines of various sizes installed
Liaison with donors and development partners for more funding	Writing proposals and follow ups with prospective donors	No projects funded
Sensitizing the community to create more demand	Hold barazas and meetings ASKs shows	2 No. of sensitization meetings (Barazas) Held
Undertake a baseline survey on sanitation, and design a sensitization program for improvement of Sanitation	Survey, design and undertake a community outreach & hygiene education campaign	Baseline survey report Increase sanitation
Improve home-based sanitation through community outreach and education/sensitization	Cost sharing on the construction of sanitation facilities on the homestead and residential apartments Engage strategic partners and Donors	Operational sanitation facilities within the area of supply
Construct public Decentralized Treatment Facilities for Manyatta and Kibugu	Survey and designs for the DTFs Acquisition of land Construct DTFs in Kibugu and Manyatta	Operational DTFs

8. Corporate Governance Statement

The corporate governance structure ensures that we act with high standards of corporate behavior 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 Association 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. The General Manager sits in the board as a secretary. The Directors are appointed for terms of up to three years and are eligible for re-appointment. The Directors have broad range of skills and experience. The Board has three committees namely; Technical committee, Finance, Planning and Staff Committee and Audit Committee. Any issue(s) outside the above committees may be handled by specially constituted ad hoc committee, made by a resolution of the Board of Directors including its membership. The Board, in consultation with management, develops strategic direction for the annual and long-term period. The board also prepares for the Annual General Meeting and determines the agendas in which annual audited accounts are presented.

At its regular meetings, the Board considerations include: Technical and financial progress quarterly reports, Audit reviews and quarterly reports.

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

Composition of the Board of Directors

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

Technical Committee

The Committee is chaired by Ms. Cecilia Munyi, and members includes Mr. Alfred Miriti, Mr. Stephen Njiru Ms. Catherine Wanja, Mr. P.N. Munanyaki, Mr. Zephania Mugambi and. Geoffrey Munyi,

The committee secretary is the Head of 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 Association's technical activities. The committee advises the Board of Directors on technical matters involving the Association'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 Association, including building master plans, capital project plans and so on.

Staff, Planning & Finance Committee

The committee is chaired by Director Stephen Njiru, and members includes Directors P.N Munanyaki, Elas Wanja, Zephania Kathuri and Cosmas Nthiga . The Committee Secretary is the Head of Finance and Commercial Services. Each member has experience in management skills necessary for discharge of duties. The committee supports and assists the Board in the effective discharge of the Board's responsibilities in finance, corporate affairs such as human resource, information and communication and administration. The committee receives and reviews reports on the financial performance, annual budget, changes to the water tariff and staff matters. The committee ensures that adequate plans, policies and programmes are in place to promote the effectiveness, integrity and security of the Association information technology systems and their operations.

Audit, Risk & Compliance Committee.

The committee is chaired by Director Joseph Njagi James, other members include Director Elas Wanja, Cosmas Nthiga, Patrick Nderi, Pius Njeru, Joseph Nyaga and Patterson JNMK Wandie. The Committee secretary is the Head of Auditor, Risk and Governance. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the Association's financial reporting principles and policies, controls r. procedures and its auditing activities. The audit committee meets and reviews reports from the Internal Auditor and major findings on internal audit and investigations and considers management response or actions thereto. Committee reports summarizing issues discussed by the respective committee are then tabled to the full board by the respective committee chairs where they are adopted for deliberation and resolutions made accordingly. During the year the Association held one stakeholder forum in which stakeholders one on Annual General meeting where they were briefed about the Association and key areas highlighted.

9. Management Discussion and Analysis

The Societies 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 Association 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 Association maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the Association. 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 Societies 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 Association as at 30th June 2023 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 Association 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 ...16/1/2024...and signed on its behalf by:

CHAIRMAN .....
Stephen Njiru

General Manager.....
Geoffrey Munyi Gichatha

10. Environmental And Sustainability Reporting

The Association 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 Association recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need for Association'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 Association 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 Nginda Water Consumers Association, through the Board of Directors, Management, and Staff with the input of our stakeholders have developed the Strategic Plan (2019/2024) to provide a basis for meeting the sustainability of the Association. 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 Association'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 Association 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 Nginda Water Consumers Association will continue to provide water and sanitation services in an efficient, effective, affordable and sustainable manner.

ii) Environmental performance

Ngandori Nginda Water Consumers Association prides itself as a custodian of the environment and has put in place environmental safeguards aimed at protecting and enhancing its wellbeing. The Association 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 Association complies with Water Resources Authority and National Environmental Management Act (NEMA) conditions.

The Association 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 are controlled and assured internally and externally in strict compliance with the regulator requirements at the agreed periods.

The Association plays a role in the protection of water catchment and has been presented in meetings for Water Resource Users Association (WRUA). Every year the Association takes part in tree planting exercises and during the year under review the Association took part various in tree planting activities in Muthigi intake.

iii) Employee welfare

Staffs are critical resource for the attainment of the corporate objectives. The Association 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) Market place practices-

a) Responsible competition practice.

The Association is the business of supply treated domestic water services which is regulated. The tariff used is approved by the regulator after a process of involving the stake holders and holding a mandatory public engagement. Further the Association promotes fair competition and respect competitors. We communicate the winning bidder and at the same time to the unsuccessful bidders giving the reasons their bids were not successful and also time to appeal before away letter is issued to the successful bidder.

b) Responsible Supply chain and supplier relations

The Association 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 Association's procedures from procurement of goods/services to the final process of payment. The Association also honors supplier contracts and respects payments within the credit period given.

c) *Responsible marketing and advertisement*

The service offered by the Association does not involve marketing and advertisement of the service, rather the Association stakeholder engagement is paramount. Stakeholder engagement and public participation in key areas affecting services of the Association 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 Association. 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 Association is cognizant of the importance of the customer in the service delivery process and indeed to its overall performance. The Association is committed to effective communication with the customers and sensitizing them on key issues in the management of water resource especially at the consumption point. Though the Association has not fully met needs of un served customers, the Association has endeavoured to extend service using its own resources and has even mobilized funds from donors and commercial loans to extend service to customers.

v) *Corporate Social Responsibility / Community Engagements*

The Association recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need to Association'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 Association is highly respected.

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

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

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

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

The Association relies on the environment which provides water which is produced, treated and transmitted via pipeline to respective customers. Over the time the Association 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 water treatment process. A well-managed environment is the key to human kind survival and the Ngandori Nginda Water Consumers Association shall endeavour to play its role.

11. Report Of the Directors

Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Association's affairs.

i) Principal activities

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

ii) Results

The results of the Association for the year ended June 30, 2023 are set out on this report on page one. Below is summary of the profit or loss made during the year.

iii) Dividends

The Association is an association registered under Societies Act and is owned by the community within supply area. The Association 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 Association's Constitution

v) Auditors

The Auditor General is responsible for the statutory audit of the Association in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Association for the year/period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

.....

Cosmas Nthiga Nyaga
Secretary to the Board

12. Statement of Directors' Responsibilities

Section 164(2) (f) of the Public Finance Management Act 2012 and the Association Act 2015 requ the Directors to prepare financial statements in respect of that entity, which give a true and fair vi of the state of affairs of the entity at the end of the financial year and the operating results of Ngandori Nginda Water Consumers Association for that year. The Directors are also required to ens that the Ngandori Nginda Water Consumers Association keeps proper accounting records wh disclose with reasonable accuracy the financial position of the Ngandori Nginda Water Consum Association. The Directors are also responsible for safeguarding the assets of the Ngandori Ngi Water Consumers Association.

The Directors are responsible for the preparation and presentation of the Ngandori Nginda Wa Consumers Association's financial statements, which give a true and fair view of the state of affairs the Ngandori Nginda Water Consumers Association for and as at the end of the financial year en on June 30, 2023. These responsibilities include:

(i) Maintaining adequate financial management arrangements and, ensuring that these continue to effective throughout the reporting period;

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time financial position of the Ngandori Nginda Water Consumers Association;

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

iv) Safe guarding the assets of the Ngandori Nginda Water Consumers Association;

(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 Nginda Water Consumers Association's finan statements, which have been prepared using appropriate accounting policies supported by reasona and prudent judgements and estimates, in conformity with International Financial Reporting Stand (IF'RS), and in the manner required by the Companies. The Directors are of the opinion that Ngandori Nginda Water Consumers Association's financial statements give a true and fair view of state of Ngandori Nginda Water Consumers Association 's transactions during the financial year en June 30, 2023, and of the Ngandori Nginda Water Consumers Association 's financial position a that date. The Directors further confirm the completeness of the accounting records maintained fo

Igandori Nginda Water Consumers Association, which have been relied upon in the preparation of the Igandori Nginda Water Consumers Association's financial statements as well as the adequacy of the ystems of internal financial control.

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

pproval of the financial statements

ne Association financial statements were approved by the Board on ...16/1/2024.....
d signed on its behalf by:

.....

tephen Njiru Jonah
Chairperson of the Board

.....

Geoffrey Munyi Gichatha
General Manager

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

HEADQUARTERS
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NGANDORI-NGINDA WATER CONSUMERS ASSOCIATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ngandori-Nginda Water Consumers Association set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ngandori-Nginda Water Consumers Association as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The Management prepared and submitted the annual reports and financial statements for the year ended 30 June, 2023 to the Auditor-General. However, the following anomalies were noted on review of the financial statements presented:

i. The statement of comparison of budget and actual amounts reflects Kshs.79,416,920 and Kshs.94,720,000 as total recurrent expenditure budget and capital expenditure budgets respectively both totalling Kshs.174,136,920. However, instead of reflecting the total balances under original and final budget columns, the statement shows unexplained negative balances labeled as profit or loss of Kshs.99,316,504. Further, instead of total actual expenditure on comparable basis of Kshs.97,591,120, the statement reflects profit or loss of negative Kshs.18,342,076.

ii. The statement of profit or loss and other comprehensive income reflects Kshs.76,583,092 in respect to operating revenue. However, the statement of cash flows reflects actual operating revenue receipts of Kshs.86,641,886 which was not referred to any explanatory Note to the financial statements. The actual receipts therefore exceeded the accrued revenue by Kshs.10,058,794. Inconsequent, it was not clear why there was still a balance of trade receivables of Kshs.46,563,921 as disclosed in Note 18 to the financial statements.

iii. Note 22 to the financial statements reflects Kshs.36,116,432 in respect to borrowings. However, the analysis provided under Note 22 indicates that the borrowings comprises of Kshs.1,514,269 and Kshs.36,116,432 in respect to short term and long-term borrowings respectively both totalling Kshs.37,630,701 resulting to unexplained variance of Kshs.1,514,269.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects bank and cash balances of Kshs.2,590,539 as disclosed in Note 19 to the financial statements. Included in this balance is

Kshs.2,272,412 in respect to bank balances. However, Management did not provide monthly bank reconciliation statements contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy, completeness, presentation and disclosure of the bank balance of Kshs.2,272,412 could not be confirmed.

3. Unsupported Value of Land

The statement of financial position reflects property, plant and equipment balance of Kshs.123,549,277 as disclosed in Note 16 to the financial statements. Included in this balance is Kshs.6,638,710 in respect to seven (7) parcels of land. However, Management did not provide a valuation report to show the values of the respective parcels of land.

In the circumstances, the accuracy and completeness of Kshs.6,638,710 in respect to land owned by the Association could not be confirmed.

4. Inaccuracies in Revenue

The statement of profit or loss and other comprehensive income reflects Kshs.79,249,044 in respect to total revenue. However, the revenue summary generated from Majisoft billing system reflects Kshs.73,480,647 resulting to an unexplained variance of Kshs.5,768,397.

Further, included in Kshs.79,249,044 is Kshs.76,583,092 in respect to revenue from sale of water. However, the billing system disclosed Kshs.70,903,643 resulting to an unexplained variance of Kshs.5,679,449.

In the circumstances, the accuracy and completeness of the revenue amount of Kshs.79,249,044 could not be confirmed

5. Unsupported Board Expenses

The statement of profit or loss and other comprehensive income reflects board expenses of Kshs.3,984,023 as disclosed in Note 12 to the financial statements. Included is payment of sitting allowances amounting to Kshs.2,040,000 that were not supported by a register of board meeting to confirm attendance. It was therefore not possible to determine the basis for payment of the sitting allowances.

In the circumstances, the regularity of payment of sitting allowances of Kshs.2,040,000 as part of board expenses could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on a comparable basis of Kshs.74,820,416 and Kshs.79,249,044 respectively resulting to an overfunding of Kshs.4,428,628 or 6% of the budget. Similarly, the Water Company spent Kshs.85,194,089 against an approved budget of Kshs.79,416,920 resulting to unauthorized expenditure of Kshs.5,777,169 or 7% of the budget.

Further, Management budgeted for a total income of Kshs.74,820,416. This was to finance budgeted recurrent expenditure of Kshs.79,416,920 and development/investment expenditure budget of Kshs.94,720,00 both totalling Kshs.174,136,920. This resulted to a budget deficit of Kshs.99,316,504 which is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that the budget shall be balanced.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Staff Ethnic Composition

Records provided revealed that the Association had a total workforce of seventy-six (76) employees from the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires 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 Kshs.79,249,044 in respect to total revenue out of which Kshs.76,583,092 is revenue from water sales. Review of records revealed that, the Company produced 2,720,468 cubic meters (m^3) of water during the year. However, only 1,794,778 cubic meters (m^3) or 66% of the total volume was billed to customers. The balance totalling 925,690 cubic meters (m^3), or approximately 34% of total production was Non-Revenue-Water (NRW) which was 9 percentage points above the allowable loss of 25% set in guidelines issued by the Water Services Regulatory Board. According to the approved tariff, the average billing rate for the year was Kshs.52 per cubic meter. Therefore, the 925,690 cubic meters (m^3) Non-Revenue-Water may have resulted in an estimated loss of Kshs.48,135,880.

In the circumstances, there was loss of revenue through non-revenue water.

3. Lack of an Approved Salary Structure and Scheme of Service

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.36,446,849 as disclosed in Note 10 to the financial statements. However, the Association did not have an approved scheme of service that includes career progression guidelines for its employees providing clear job descriptions and specifications or qualifications for the positions in the Company. Further, there was no approved salary structure as stipulated in Section 4.1 of the WASREB Model Human Resource Policy and Procedures Manual for Water Service Providers Revised Edition May, 2019.

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

4. Irregular Appointment of the Board

The financial statements provided for audit listed fourteen members (14) for the Board of Directors. This number is above the recommended number of seven (7) members. It was not clear how the Board was appointed and the Management did not provide letters of appointment contrary to Section 3.4.5(8) of the WASREB Corporate Governance Guidelines for the Water Services Sector which stipulates that a letter of appointment issued by the County Secretary that adheres to the articles of association of the Water Service Provider shall be given after ratification of names of the accepted directors at the annual general meeting by the shareholder.

In the circumstances, the regularity and composition of the Board could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are complying, 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 matters 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 overall governance were not effective.

Basis for Conclusion

1. Asset Tagging

The statement of financial position reflects property, plant and equipment balance of Kshs.123,549,277 as disclosed in Note 16 to the financial statements. However, the assets were not coded or tagged for ease of identification and tracking contrary to Regulation 132(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked.

In the circumstances, there is a risk of encroachment and misuse of assets.

2. Lack of a Risk Management Policy

The Association did not have a risk management policy to guide the management in risk assessment and formulation of risk mitigation strategies. In the absence of the policy, the association was not capable to timely detect and mitigate operational and financial risks against misuse or loss of public resources.

In the circumstances, the Management may not timely detect and respond to operational risks.

The audit was conducted in accordance with ISSAIs 2315 and 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 Companies Act, 2015, I report based on my audit, that:

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

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

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the 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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 March, 2024

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.

	Note	2022/2023
		Kshs
Revenue		
Operating Revenue	6	76,583,092
Grants Income	7	440,400
Other Income	8	2,024,544
Finance income	9	201,008
Total Revenue		**79,249,044**
Expenses		
Staff Costs	10	36,446,849
General and Operations expenses	11	19,152,244
Board Expenses	12	3,984,023
Maintenance Expenses	13	18,358,126
Depreciation and Amortization expenses	14	10,231,088
Finance Costs	15	7,252,847
Total Expenses		**95,425,177**
Profit/(Loss) Before Taxation		(16,176,133)
Total Comprehensive Income for The Year		(16,176,133)

15. Statement Of Financial Position As at 30 June 2023

	Note	2022/2023
		Kshs
Assets		
Non-current assets		
Property, plant and equipment	16	123,549,277
Investment property	20	1,400,562
Total non-current assets		**124,949,839**
Current assets		
Inventories	17	15,802,643
Trade and other receivables	18	44,515,728
Bank and cash balances	19	2,590,539
Total non-current assets		**62,908,910**
Total Assets		**187,858,749**
Equity and liabilities		
Capital and Reserves		
Ordinary share capital	25	121,383,336
Retained earnings		(16,176,133)
Capital and Reserves		**105,207,203**
Non-current liabilities		
Borrowings	22	36,116,432
Total non-current liabilities		**36,116,432**
Current liabilities		
Borrowings	22	1,514,269
Trade and other payables	23	44,198,867
Refundable deposits and Prepayments	24	821,978
Total current liabilities		**46,535,114**
Total equity and liabilities		**187,858,749**

The financial statements were approved by the Board on 16/1/ 2024 and signed on its behalf by:

.....	.....	.....
Name GEOFFREY MUNGAI	*Name* PATRICIA MUKE	*Name* STEPHEN MWANGI
General Manager	**Head of Finance**	**Chairman of the Board**

16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2022		**0**	**0**	**0**	**0**	**0**	**121,383,336**	**121,383,336**
New capital issued		0						0
Revaluation gain		-	0	-	-	-	-	0
Transfer of excess depreciation on revaluation		-	0	-	0	-	-	-
Deferred tax on excess depreciation		-	0	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	0	-	-	-	0
Profit for the year		-	-	-	(16,176,133)	-	-	(16,176,133)
Capital/Development grants received during the year		-	-	-	-	-	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	0	-	0	-
Dividends paid – prior year		-	-	-	-	0	0	0
Interim dividends paid – current year		-	-	-		0	-	0
Proposed final dividends		-	-	-	0	0	0	-
As at June 30, 2022		**0**	**0**	**0**	**0**	**0**	**0**	**0**
As at June 30, 2023		**0**	**0**	**0**	(16,176,133)	**0**	**121,383,336**	**105,207,203**

17. Statement Of Cash Flows for The Year Ended 30 June 2023

	Note	2022/2023
		Kshs
Cash Flows from Operating Activities		
Receipts		
Operating Receipts		86,641,886
Grants Income	7	440,400
Finance Income	9	201,008
Other Income	8	2,024,544
Customer Deposits	24	669,500
Total Receipts		**89,977,338**
Payments		
Staff Costs	10	36,446,849
General And Operation Expenses	11	19,152,244
Board Expenses	12	3,984,023
Maintenance Expenses	13	18,358,126
Finance Costs	15	7,252,847
Refund Of Customer Deposits		0
Total Payments		**85,194,089**
Net Cash From/ (Used In) Operating Activities		**4,783,249**
Cash Flows from Investing Activities		
Purchase Of Property, Plant And Equipment (PPE)	16	(12,397,031)
Proceeds From Disposal Of PPE		0
Purchase Of Intangible Assets		(0)
Purchase Of Investment Property		(0)
Purchase Of Quoted Investments		(0)
Proceeds From Disposal of Quoted Investments		0
Net Cash From/ (Used In) Investing Activities		**(12,397,031)**
Cash Flows from Financing Activities		
Proceeds From Issues of New Share Capital		0
Proceeds From Borrowings	22	40,000,000
Repayment Of Borrowings	22	(29,795,679)
Dividends Paid		(0)
Net Cash From/(Used In) Financing Activities		**10,204,321**
Increase/(Decrease) In Cash and Cash Equivalents		**2,590,539**
Cash And Cash Equivalents At Beginning Of Year		**0**
Effects Of Foreign Exchanges Rate Fluctuations		0
Cash And Cash Equivalents At End of the Year	19	**2,590,539**

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

Jq3	Original budget	adjustment	Final budget	Actual on comparable basis		% of utilization
	A		C=a+b	d	e= c-d	f=d/c %
Revenue	**Kshs**		**Kshs**	**Kshs**	**Kshs**	0%
Operating Revenue	72,013,349	0	72,013,349	**76,583,092**	(4,569,743)	106%
Non-Operating Revenue	2,603,000	0	2,603,000	2,024,544	578,456	77.7%
Grants	0	0	0	440,400	(440,400)	
Finance Income	204,067	0	204,067	201,008	3,059	98.5%
Other gains	0	0	0	0		
Total Revenue	**74,820,416**	0	**74,820,416**	**79,249,044**	**(4,428,628)**	105.9%
Expenses		0				
Staff Costs	41,394,598	0	41,394,598	36,446,849	4,947,749	88%
Board Expenses	4,205,411	0	4,205,411	3,984,023	221,388	95%
General and operations Expenses	21,658,911	0	21,658,911	19,152,244	2,506,667	88%
Maintenance	7,838,000	0	7,838,000	18,358,126	(10,520,126)	234%
Finance costs	4,320,000	0	4,320,000	7,252,847	(2,932,847)	168%
Total Recurrent Expenditure	79,416,920	0	79,416,920	85,194,089	(5,777,169)	106%
		0				
Capital expenditure	94,720,000	0	94,720,000	12,397,031	82,322,969	
		0				
		0				
Profit or Loss	(99,316,504)	0	(99,316,504)	(18,342,076)	(80,974,428)	

19. Notes To the Financial Statements

1. General Information

Ngandori Nginda Water Consumers Association is established by and derives its authority and accountability from society Act 10. The Association is wholly owned by the Embu County Government and is domiciled in Kenya. The Association's principal activity is sale of water. 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 Association'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 in *Section 14.*

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

The financial statements have been prepared in accordance 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 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. *No amendment during the year under review.*	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **material** accounting policy information rather than their **significant** accounting policies. *No changes during the year under review.*	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Notes to the Financial Statements (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an 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.

iii. Early adoption of standards

Ngandori Nginda Water Consumers Association did not early – adopt any new or amended standards in year under review.

Notes 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) **Capital Reserves** as recognized as assets handed over to the Embu County Government in the year 2022 amounting to Ksh. 121,383,336.

ii) **Revenue from the sale of goods and services** is recognized as operating revenue collected during the year under review.

iii) **Grants from Government Entities** are recognized in the year in which the Association 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.

iv) **Finance income** comprises interest receivable from bank.

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

vi) **Other income** comprises of reconnection fee, new connection fee and sundry income..

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Association 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 Association 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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:

	Rates
Water meters & fittings	12.5%
Buildings and civil works	2.5%
Infrastructure works	2.5%
Plant and machinery	2.5%
Motor vehicles, including motorcycles	25%
Computers, software 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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 intangible 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 derecognition 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.

Notes to the financial statements (continued)

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). *(Whichever is applicable).*

Notes to the financial statements (continued)

Summary of Accounting Policies

j) 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).

k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) 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 based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

Notes to the financial statements (continued)
Summary of Accounting Policies

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, Saccos and Mpesa paybill 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.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

s) Retirement benefit obligations

The Association operates a defined contribution scheme for all full-time employees from July 1,2022. The scheme is administered by County Pension Fund and is funded by contributions from both the Association and its employees. The Association also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Association's obligation under the scheme is limited to specific contributions legislated from time to time.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

v) Budget information

The original budget for FY 2022/2023 was approved by the Board of Directors on 1st July 2022. The Association'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 14 of these financial statements.

Notes to the financial statements (continued)
Summary of Accounting Policies

w) Service concession arrangements

The Association 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 Association 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 Association 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Association'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.

Summary of Accounting Policies

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 Association 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 Association. 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 Association.
- 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 0. 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)

6. Operating Revenue

	2022/2023
	Ksh
Water sales	76,583,092
Total	**76,583,092**

7. Grants Income

	2022/2023
	Ksh
Operational grants from Government entities	440,400
Total	**440,400**

Grants analysis

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	2022/2023
Tana Water Development Agency (TWDDA)	440,400				
Total	440,400				440,400

Notes to the financial statements (continued)

8. Other Income

	2022/2023
	Kshs
New Connections	1,085,550
Reconnection fee	921,496
Miscellaneous (sundry) income	17,498
Total	**2,024,544**

9. Finance Income

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

10. Staff Costs

Description	2022/2023
	Kshs
Gross Salary and Allowances	29,208,161
Casual workers' Wages	799,735
Medical insurance schemes	2,899,997
Employer's contributions to social security & pension schemes	2,422,354
Staff retirement benefit	789,958
Staff welfare	326,644
Total	**36,446,849**
The average number of employees during the year	**72**

11. General and Operations Expenses

Description	2022/2023 Kshs
Chemicals	1,507,815
Electricity	1,879,166
Fuel, oil, lubricants, and gases	927,018
Office supplies	596,133
Uniform and protective clothing	276,100
Telecommunication	631,390
Insurance	312,854
Rent and Rates	96,000
Domestic Traveling and subsistence	1,205,310
Staff training and development	413,200
Transport hire	578,150
Staff end of year seminar	1,103,575
Publicity and advertising	75,080
Audit fees	204,200
Consultancy &Legal fees	232,850
Cleaning and detergents	116,792
Licensing and levies	3,916,706
Sundry expenses	13,467
SMS Billing	430,382
Stakeholders' expenses	1,775,450
Donations/CSR	317,500
Office newspapers	58,320
Provision for doubtful debts	2,379,786
Subscription to WASPA	105,000
Total	**19,152,244**

12. Board Expenses

Description	2022/2023 KShs
Sitting allowances	2,040,000
Medical Insurance	554,411
Induction and Training	729,000
Travel and accommodation	660,612
Total Board Expenses	**3,984,023**

Notes to the financial statements (continued)

13. Maintenance Expenses

Description	2022/2023 Kshs
Buildings repair and maintenance	391,800
Infrastructural networks rehabilitation	13,454,280
Minor extensions (o&m)	2,642,412
Motor vehicles & Motorcycles Repair &Maintenance	927,018
Software's licenses renewals	843,766
ICT (Information Communication Technology)	98,850
Total Maintenance Expenses	**18,358,126**

14. Depreciation and Amortization Expenses

Description	2022/2023 KShs
Property, plant, and equipment	10,231,088
Total Depreciation and Amortization	**10,231,088**

15. Finance costs

Description	2022/2023 Kshs
Bank Charges	189,491
Interest expense on loans	7,063,356
Total	**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		Tools	Tank	Software	Total
	Kshs.	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	786,258	121,383,336
Additions	750,000	0	9,826,871	58,500	0	672,984	670,496	0	0	165,500	48,680	0	204,000	12,397,031
Disposals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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**	**990,258**	**133,780,367**
Depreciation rate		**25%**	**2.50%**	**12.50%**	**25%**	**12.5%**	**12,5%**	**2.50%**	**12.50%**	**30%**	**12.50%**	**2.50%**	**30%**	
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	297,077	10,231,088
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	693,181	123,549,279

7. Inventories

Description	2022/2023 Kshs
Inventories	15,802,643
Total	**15,802,643**

8. Trade Receivables and other receivables

	Total amount Kshs
At 30 June 2023	
Trade Receivables	46,563,921
Less: provision for doubtful debts	(2,379,786)
Staff Debtors	112,500
Rent prepayment	48,000
Insurance prepayment	171,093
Total receivables	44,515,728

9. Bank and Cash Balances

	2022/2023 Kshs
Cash at bank	2,272,412
Cash in hand	232,197
Mobile money account	85,930
	2,590,539

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

		2022/2023
Financial institution	**Account number**	**KShs**
a) **Current/saving account**		
Cooperative bank	01120052778400	1,570,830
Cooperative bank	01120052778401	4,206
Cooperative bank	01100052778400	164,407
Cooperative bank	01100052778401	21215
Daima Sacco	L05-001/014297-00	185,558
Nawiri Sacco	103200061625	316,196
National bank	01020258164900	10,000
Sub-total		**2,272,412**
b) Others(specify)		
Cash in hand		232,196
Mobile money account		85,930
Sub- total		**252,729**
Grand total		**2,590,538**

20. Investment Property

		2022/2023
Financial institution	**Account number**	**KShs**
c) Unwithdrawable deposits		
Nawiri Sacco	103400054729	1,400,562

Notes to the financial statements (continued)

21. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

22. Borrowings

Description	2022/2023
	Ksh
i) Domestic Borrowings	
Balance at beginning of the year	18,848,755
Domestic borrowings during the year	40,000,000
Repayments during the year	(29,795,679)
Accrued interest for year	7,063,356
Balance at end of the year	**36,116,432**

The analyses of domestic borrowings are as follows:

Description	2022/2023
	Ksh
Short term borrowings (current portion)	1,514,269
Long term borrowings	36,116,432
Total	37,630,701

Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defi contribution scheme registered under the National Social Security Act. The entity's obligation ur the scheme is limited to specific contributions legislated from time to time and is currently at Ks 1080 per employee per month. Other than NSSF the entity also has a defined contribution sche operated by County Pension Fund. Employees contribute 5% while employers contribute 10% of Gr salary. Employer contributions are recognized as expenses in the statement of financial performan within the period they are incurred

23. Trade and Other Payables

	2022/2023
	Kshs
Trade payables	44,198 ,867
Total	44,198 ,867

24. Refundable Deposits and Prepayments

	2022/2023
	Kshs
Customer deposits	669,550
Prepayments by customers	152,428
Total	**821,978**

Notes to the financial statements (continued)

25. Ordinary Share Capital

Ordinary share capital is recognized as assets handed over to the Embu County government in the year 2022 amounting to Ksh. 121,383,336 (One hundred twenty-one million three hundred eighty-three thousand three hundred thirty-six).

Other Disclosures

26. 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 of 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
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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.

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

Notes to the financial statements (continued)

(iii) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Current Year			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	**0**	**0**	**0**

The Company manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Previous year			
Financial assets			
Investments	0	0	0
Cash	0	0	0

Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	**0**	**0**	**0**

Notes to the financial statements (continued)

a) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive in on applying the sensitivity for a reasonable change in the exchange rate of the three transaction currencies, with all other variables held constant. The reverse would also occur Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023Current FY			
Euro	10%	0	0
USD	10%	0	0
2022 Previous FY			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

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

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

iv) ***Financial instruments not measured at fair value***

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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:

	2022/2023
Capital reserve	105,207,203
Total funds	105,207,203
Total borrowings	37,630,701
Less: cash and bank balances	(2,590,539)
Net debt/ (excess cash and cash equivalents)	35,040,162
Gearing	33%

27. Incorporation

The Association is registered in Kenya under the Kenyan Societies Act and is domiciled in Kenya.

28. Events After the Reporting Period

The Association is in the process of transitioning to a public limited liability company under the Kenya Companies Act 2015.

20. Appendices

ppendix 1: progress on follow up of auditor recommendations.

e following is the summary of issues raised by the external auditor, and management comments
it 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)

idance Notes:

Use the same reference numbers as contained in the external audit report.

) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

me GEOFFREY MUNYI

gnature

neral Manager

te 16/01/2024

Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolid in these financial statemen (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source of fun
1							
2							
3							

38

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

dix V: Reporting Disaster Management Expenditure

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)