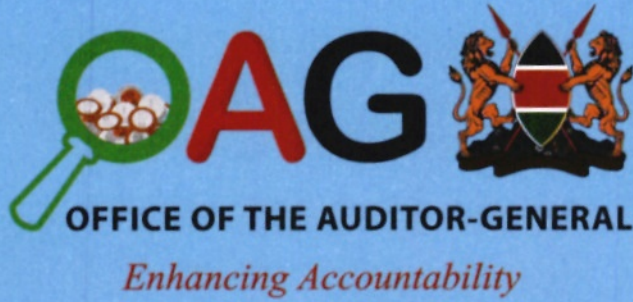


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

PAPERS LAID	
DATE	14/2/2024
TABLED BY	Dep. Maj. Whip
COMMITTEE	
NO. OF THE TABLE	Njirō

REPORT

OF

THE AUDITOR-GENERAL

ON

**ELWAK WATER AND SEWERAGE
COMPANY LIMITED**

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





ELWAK WATER AND SEWERAGE COMPANY LIMITED

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)**

Table of Contents	Page
I. Key Entity Information	ii
1. THE BOARD OF DIRECTORS	iv
II. Management Team	v
III. Chairman’s Statement	vi
IV. Report of the Chief Executive Officer	vii
V. Statement of Performance Against Predetermined Objectives for FY 2022/2023.....	viii
VI. Corporate Governance Statement	x
VII. Management Discussion and Analysis	xi
2. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING xii	
VIII. Report Of the Directors.....	xiv
IX. Statement of Directors’ Responsibilities	xvii
XI. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023. 1	
XII. Statement Of Financial Position As at 30 June 2023	2
XIII. Statement Of Changes In Equity For The Year Ended 30 June 2023	3
XIV. Statement Of Cash Flows for The Year Ended 30 June 2023	4
XV. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023	5
XVI. Notes To the Financial Statements	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	39
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	43
APPENDIX III: INTER-ENTITY TRANSFERS.....	44
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES ...	45

I. Key Entity Information

Background information

Elwak Water and Sewerage Company Limited (Elwasco) was established by the companies Act of Parliament on 23rd of April two thousand and twenty (2020). Elwasco is represented by the Board of Directors and the Chief Executive Officer who are responsible for the general policy and strategic direction of ELWASCO. Elwasco is domiciled in Kenya and is based in Elwak Municipality, Mandera County.

Principal Activities

To provide and distribute a constant supply of water for commercial, industrial and domestic purposes within the jurisdiction of Elwak Municipality.

To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Elwak Municipality.

Directors

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

- | | |
|--------------------------------|---------------------------|
| 1. Mrs Miriam Maalim Issacckow | - Deputy Chairperson |
| 2. Mrs Nasra Adan Maalim | - Board Member |
| 3. Mr Mohamed Adan Issack | - Board Member |
| 4. Mr Mohamedrashid Haji | - Board Member |
| 5. Mr Abdikadir Mohamed | - Board Member |
| 6. Mr Ahmed Adan | - Board Member |
| 7. Mr Suleiman Ibrahim Roba | - Chief Executive Officer |

Registered Officer

ELWASCO Buildings, Next to Elwak Municipality Head Quarter
EL Golicha Road
P.O. Box 61 - 70301
Elwak, Mandera County,
KENYA

Corporate Headquarters

ELWASCO Buildings, Next to Elwak Municipality Head Quarter
P.O. Box 61 - 70301
Elwak, Mandera County,
KENYA

Corporate Contacts

Telephone: (+254) 726296944
E-mail: info@elwasco.co.ke
Website: www.elwasco.co.ke

Corporate Bankers

Equity Bank Limited
Mandera Branch
P.O. Box 60000
Mandera, Kenya

Independent Auditors

Auditor-General
Office of auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Advisers

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

1. THE BOARD OF DIRECTORS

1. Mrs Miriam Maalim Issackow	Deputy Chairperson
2. Mrs Nasra Adan Maalim	Board Member
3. Mr Mohamed Adan Issack	Board Member
4. Mr Mohamedrashid Haji	Board Member
5. Mr Abdikadir Tache	Board Member
6. Mr Ahmed Adan	Board Member
7. Mr Suleiman Ibrahim Roba	Ex-official Member and CEO Elwasco

II. Management Team

1. Mr. Issack Adan	Deputy Chief Executive Officer
2. Issa Ahmed Ali	Head of Financial Services
3. Mohamednoor Issack	Procurement Manager
4. Alinoor Mohamed	Human Resource Manager

III. Chairman's Statement

Elwak water and Sewerage Company Limited faced extreme difficulties in its operation. This is due to largely faulty water systems that were handed over to us at start of operations. The company, during the year achieved a goal of staff establishment. The county Government of Mandera seconded some of their staffs to help start the operations of the company.

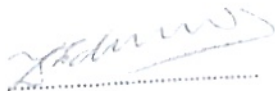
ELWASCO also recruited some casuals to effectively deliver services to the community. The casuals were initially contracted on short term contracts of one year. The board will however, debate on whether to extend the length of the contracts.

During the same period, the company initiated the process of Licensing to enable the Company function within the walls of the law. The company achieved a milestone within months of operations, when it received its License. ELWASCO became the first to ever receive Licensing while less than a year old.

The company faced many challenges during the first year of operation. We experienced security threat to our staffs and assets from the criminals operating near the border to Somalia. They have on many occasion, stalled our operation by making roads impassable.

The company also experienced large scale breakdown of old Generators and countless pipe bursts which contributed to incapacitation in terms of providing water to the community.

ELWASCO's main challenge has been lack of funds. The company inherited an old water system which needed complete overhaul. The team had to do with a faulty water system with no funds to rectify or put in place a new one.



Ag Chairperson of the Board

Date 30/06/2023

IV. Report of the Chief Executive Officer

ELWASCO faced extreme difficulties in its operation during the year. This is due to prolonged severe draught which caused frequent system break down and reducing water levels in our boreholes. largely faulty water systems that were handed over to us at start of operations.

The ELWASCO also recruited some casuals to effectively deliver services to the community. The casuals were handed renewable short term contracts of one year.

The company faced many challenges during the first year of operation. We experienced security threat to our staffs and assets from the criminals operating near the border to Somalia. They have on many occasion, stalled our operation by making roads impassable.

The company also experienced large scale breakdown of old Generators and countless pipe bursts which contributed to incapacitation in terms of providing water to the community.

ELWASCO's main challenge has been lack of funds. The company inherited an old water system which needed complete overhaul. The team had to do with a faulty water system with no funds to rectify or put in place a new one.

V. Statement of Performance Against Predetermined Objectives for FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Elwak Water and Sewerage Company Limited has two strategic pillars and objectives within its Strategic Plan for the FY 2020/2021- 2024/2025.

ELWASCO develops its annual work plans based on the below pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

During 2022/2023 financial year, the Company implemented its third year of 2020/21 to 2024/25 Strategic Plan via the annual Performance Contract and the work plan. Overall, the implementation achievement of the Strategic Plan during the 2023/24 FY is estimated as 55% as detailed in the table below summarized per the seven strategic themes. The major performance driving factors included adequate planning and implementation of the various projects. This achievement was also realized due to the support from County government in the mitigation against the adverse effects of draught.

2020/21 - 2024/25 Themes	Estimated Implementation during 2022/23 FY	Overall Remarks
Customer Focus and Stakeholder Engagement	72%	-Affected by the effects of draught
Governance and Institutional Capacity Development	66%	This performance was largely Affected by financial constraints
Information & Communication Technology (ICT) and other Support Infrastructure	45%	-Due to reduction of revenue as result of draught
Financial Stewardship	74%	-Effects of draught, which hugely affected revenue collection.

1 Implementation Estimates	55%	Overall, the Strategic plan implementation during the reporting period was affected by draught especially due to the low revenue collection.
----------------------------	-----	--

The company's expenditure has mainly been on Repair, Maintenance and operation costs. The Company is running on deficit as our Revenue systems are not yet at its peak. ELWASCO is sorting out Grants from the WSTF and other such entities. The County Government Grant is solely not enough. The Company is looking to improve its revenues gradually.



.....
CEO

Date 30/06/2023

VI. Corporate Governance Statement

INTRODUCTION

The responsibility for the control and management of the Company is divided between the Board of Directors (supported by its Committees) and Chief Executive Officer.

GENERAL MEETING OF THE BOARD OF DIRECTORS

The Board of Directors of ELWASCO exercise their decision-making power at the Company's Board meetings. The rights and the duties of the Board Meeting are defined in the Mwongozo code and in the Public Finance Acts. The Board had four sittings throughout the year.

An Extraordinary General Meeting ("EGM") may be convened by the Board when they consider it necessary or when required by law

BOARD OF DIRECTORS

Composition of the Board consists of a minimum of eight (8) members.

OPERATIONS OF THE BOARD.

The duties of the Board are those specified in the Companies Act, according to which the Board is responsible for overseeing that the management and operations, and the supervision of accounting and financial matters of the Company are appropriately organised. The Articles of the Company do not define other duties for the Board. The Board has authority to act in all matters not reserved by law. The Board meets as often as necessary to properly fulfil its duties. The Board decides well in advance on its meeting schedule and additional meetings are arranged when necessary. The Board evaluates its performance and working methods annually.

BOARD CHARTER.

The Board has adopted for itself a Charter. According to the Charter, apart from the statutory duties the main tasks of Board are:

- i. Approval of the strategic goals and direction ·
- ii. Approval of strategically important or major acquisitions and divestments ·
- iii. Business control including, among others, approvals of control policies, and business matters in accordance with the Company's Authorities Policy & Approval Matrix ·
- iv. Approval of the business organisation structure ·
- v. Appointment of the CEO ·
- vi. Approval of the appointments of the top management ·
- vii. Financial control.
- viii. Budgets ·
- ix. Approval of principles of risk management and internal control ·
- x. Appointment of the Chief Audit Executive and approval of the Internal Audit Charter
- xi. Appointments to the Board Committees and review of the reports of the Board Committees

COMMITTEES OF THE BOARD

The Board constituted Committee which comprises of

- i. Finance Committee
- ii. Human Resource Committee
- iii. Audit Committee
- iv. Others

VII. Management Discussion and Analysis

ELWASCO's financials are as summarised below

Total revenue for the year (all source)	112,620,409.00
Total expenditure expenses	<u>110,983,165.00</u>
Net profit before tax	1,637,244.00
Profit after tax	<u>1,146,071.00</u>

Difference

The Company experienced a Net Loss of **Kshs. 1,146,071.00** as at **30th June 2023**. This was due to high operation cost and deficit revenue target and collections.

The company undertook repair and maintenance of pipes, procurement of water pumps, meters among others to highlight a key investment.

The Company faced real threats in terms of security from the boarder with Somalia. Most of ELWASCO's assets including six boreholes are at the border. This has sometimes paralysed the operations of the company.

There are bandits around the Municipality who vandalise our pipes consistently. The security officers have not been helpful in curbing these issues.

ELWASCO has casual employees. The Company contributes **Kshs.200** as NSSF on behalf of the casuals. The company is also obligated to contribute an amount towards NHIF as contribution from deduction of casual payroll.

2. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

ELWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on ELWASCO'S pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

i. Sustainability strategy and profile -

The company is experiencing high operation cost as a result of high Fuel usage at our pump stations. The company pumps water from a village more than 35KM from Elwak Municipality. We are currently using around 1000L of Diesel daily to pump and provide water to our clients. This is not sustainable in the long run.

The company has put in place a plan to solarize all our boreholes. There is a plan to phase out use of Generators at our pump station within the first five years of operation so as to cut cost on fuel.

ii. Environmental performance

The company subsidized water for Elwak Municipality who have undertaken tree planting projects. This is a contribution from ELWASCO in ensuring greener, cleaner and attractive environment.

The company has also planted over two thousand trees in its first eight month of operation. The company is also planning to set up waste disposal and treatment site to abate in avoiding environmental degradation. The site identification process will be initiated in the Financial Year 2023/2024

iii. Employee welfare

The Company does not currently employ highly skilled employees. The recruitment process mainly involves casuals who are given short term contract. However, the company has seconded staff from Mandera County Government. ELWASCO has prioritised capacity building of staff in the financial year.

Safety gears have been provided to casual employees attached to the technical department or those involved in hard and physically demanding work.

ELWASCO has casual employees. The Company contributes Kshs.200 as NSSF on behalf of the casuals. The company is also obligated to contribute an amount towards NHIF as contribution from deduction of casual payroll.

The company has developed a policy on safety in line with occupational safety and health act of 2007.

iv. Market place practices-

The organisation should outline its efforts to:

- a) The company being the sole provider of water in the region, has little competition in the area. ELWASCO is a corruption free zone, with signs displaying the same stationed at the offices.
- b) The company has been exemplary in settling contracts with suppliers, often paying them in good time.
- c) Marketing and advertisement majorly involve physical meeting with the residents in what the company refers to Public Participation programs. The
- d) ELWASCO has set up an office to handle customer complaints. There is also a compliant and compliment box which is checked daily and reviewed for action.

v. Community Engagements-

The Company set up a program to feed and care for stray animals such as Donkeys during this draught season. The company plans to engage with the community more in the coming years.

VIII. Report Of the Directors

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

Principal activities

To provide and distribute a constant supply of water for commercial, industrial and domestic purposes within the jurisdiction of Elwak Municipality.

To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Elwak Municipality.

Results

The results of ELWASCO for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

Total revenue for the year (all source)	112,620,409.00
Total expenditure expenses	<u>110,983,165.00</u>
Net profit before tax	1,637,244.00
Profit after tax	<u>1,146,071.00</u>

Dividends

The shareholders agreed that there is no dividends to be shared for the Financial year.

Directors

The members of the Board of Directors who served during the year are shown on page III.

Auditors

The Auditor General is responsible for the statutory audit of the ELWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or Certified Public Accountants were nominated by the Auditor General to carry out the audit of ELWASCO 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.

By Order of the Board

Sumeya Mohamed
Corporate Secretary
Elwak

Date: 30/06/2023

Principal activities

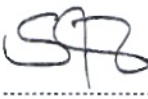
To provide and distribute a constant supply of safe and sufficient water for commercial, industrial and domestic purposes within the jurisdiction of Elwak Municipality.
To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Elwak Municipality.

i) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 were nominated by the Auditor General to carry out the audit of the Company 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.

By Order of the Board

Name: Suleiman Ibrahim Roba

Signature 

Date: 30/06/2023

Secretary to the Board

IX. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of ELWASCO, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the ELWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of ELWASCO.

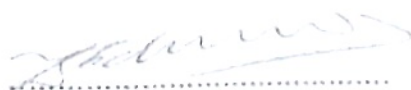
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of ELWASCO for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of ELWASCO; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for ELWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that ELWASCO's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2022, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for ELWASCO, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Elwak Water and Sewerage Company Limited's financial statements were approved by the Board on **30th June 2023** and signed on its behalf by:



Ag Chairperson of the Board.

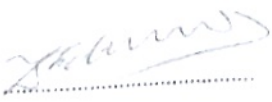



Chief Executive Officer

Elwak Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

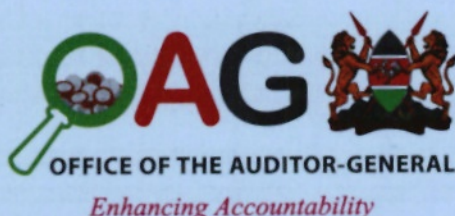
Approval of the financial statements

The company financial statements were approved by the Board on **30th June 2023** and signed on its behalf by:

Signature 
Ag Chairperson of the Board


Signature
Chief Executive Officer

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON ELWAK WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Elwak Water and Sewerage Company Limited set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, the statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Elwak Water and Sewerage Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and do not comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Presentation and Disclosure in the Financial Statements

The table of contents in the financial statements did not include acronyms and glossary of terms as required by the Annual Financial Reporting Template (revised June, 2023). In addition, passport size photographs and key professional/academic qualifications for the Board Members and the Management team were not included in the relevant sections of the financial statements.

In the circumstances, the financial statements were not presented in the format prescribed in the Annual Financial Reporting Template (revised June, 2023).

2. Going Concern

The statement of financial position reflects current assets of Kshs.12,094,812 against total current liabilities of Kshs.19,572,518, resulting to negative working capital of Kshs.7,477,706. In addition, out of the total revenue of Kshs.112,620,409 reported in the statement of profit or loss and other comprehensive income, the Company generated only Kshs.1,000,023 representing 1% of the total revenue. Staff costs for the permanent employees amounting to Kshs.26,380,200 was paid by the County Executive.

In the circumstances, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due and it may continue to depend on support from the County Government of Mandera and creditors.

3. Inaccuracies in the Statement of Profit or Loss and Other Comprehensive Income

The statement of profit or loss and other comprehensive income reflects grants income of Kshs.85,240,186. As reflected in Note 7 to the financial statements, grants amounting to Kshs.78,758,464 were recognized in the statement of changes in equity as capital fund. The amount of grants recognized in the statement of profit or loss and other comprehensive was therefore overstated.

In the circumstances, the accuracy of total revenue of Kshs.112,620,409 and profit after taxation of Kshs.1,146,071 could not be confirmed.

4. Inaccuracies in the Statement of Financial Position and Statement of Changes in Equity

The statement of financial position reflects capital grants balance of Kshs.78,758,464 as at 30 June, 2023. However, the statement of changes in equity reflects capital grants balance of Kshs.126,524,960 resulting in unreconciled variance of Kshs.47,766,496. In addition, the statement of changes in equity reflects profit for the year of Kshs.1,146,071 under retained earnings as capital grants received during the year.

In the circumstances, it was not possible to confirm the accuracy of capital grants of Kshs.78,758,464 and Kshs.126,524,960 presented in the statement of financial position and the statement of changes in equity respectively.

5. Unsupported Property, Plant and Equipment

The statement of financial position reflects net book value for property, plant and equipment of Kshs.78,758,464 as at 30 June, 2023 and as disclosed in Note 15 to the financial statements. However, the accumulated depreciation as at 1 July, 2022 for the various classes of assets was not disclosed. In addition, the approved depreciation rates applied on depreciation of assets were not disclosed. Further the net book values for the prior year were not disclosed in Note 15 as required.

In the circumstances, the accuracy of property, plant and equipment of Kshs.78,758,464 could not be confirmed.

6. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.19,572,518. However, Management did not provide payment vouchers, supporting documents and analysis to support the balance. In addition, aging analysis for the payables was not included in Note 20 to the financial statements.

In the circumstances, the accuracy of the trade and other payables balance of Kshs.19,572,518 could not be confirmed.

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

Emphasis of Matter

Under-Collection of Revenue

The statement of profit or loss and other comprehensive income reflects operating revenue from water sales for the year of Kshs.1,000,023. However, the actual collection during the year was only Kshs.195,857 resulting in an under-collection of Kshs.804,166 or 80% of the projected revenue. Management did not provide details on measures put in place to address the undesirable under-collection of revenue.

Further, it was observed that the operating revenue for the Company declined sharply from Kshs.6,925,300 reported in the previous financial year to Kshs.1,000,023 reported in the current financial year. Although Management explained that the decline was as a result of a directive by the County Government of Mandera not to bill its customers during the year, no justification for the directive was provided.

My opinion is however, not modified in respect of the above matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management indicated to have resolved only two (2) issues out of a total of eighteen (18) issues reported contrary to The National Treasury Circular AG.3/88/VoL.II (27) dated 9 May, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Engagement of Casual Workers for Prolonged Duration

Included in the staff costs of Kshs.40,285,550 disclosed under Note 10 to the financial statements was an expenditure on wages for casual workers of Kshs.13,734,350. Review of casuals payroll revealed that there were seventy-three (73) casual workers who were engaged for more than three (3) continuous months contrary to Section 37(1)(a) & (b) of the Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly. The contracts of the casuals were renewed after every three (3) months.

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

2. Use of Unapproved Water Tariffs

According to the records provided for audit, the Company billed its customers based on a rate of Kshs.240 per cubic meter for soft water and Kshs.500 for hard water. However, the tariffs were not approved by Water Services Regulatory Board (WASREB). Further, Management did not seek approval from the Water Services Regulatory Board (WASREB) for regular tariff adjustment and the Company continued to bill water consumers using unapproved water tariffs. This was contrary to Section 72(1)(b) of the Water Act, 2016 which states that the powers and functions of the Regulatory Board shall be to evaluate and recommend water and sewerage tariffs to the County water service providers and approve the imposition of such tariffs in line with consumer protection standards.

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

3. Non-Revenue Water (NRW)

During the year under review, the Company estimated its annual water production at 4,038,858 M³.r. However, the Company did not have data on the volume of water billed to customers.

In the circumstances, it was not possible to determine the level of Non-Revenue Water and the operational efficiency of the Company could not be determined.

4. Non-Compliance with Service Level Agreement on Personnel Cost

According to Note 10 to the financial statements, total staff cost for the year under review was Kshs.40,285,550 against total water revenue of Kshs.1,000,023 for the same period. This implies that personnel cost as a percentage of water revenue was 4,028%.

In the circumstances, the Company exceeded the limit of 40% set by Water Services Regulatory Board which may compromise the sustainability of the Company.

5. Failure to Deduct Tax on Acquisition of Property, Plant and Equipment

The statement of financial position reflects net book value of Kshs.78,758,464 for property, plant and equipment as at 30 June, 2023. Included in the balance is an amount in respect of additions to property, plant and equipment of Kshs.27,672,560 relating to installation of submersible pumps and assorted water items. Examination of payment vouchers and other relevant documents revealed that payments totalling to Kshs.22,500,000 were made without deducting 6% VAT on supplies and 3% withholding VAT on payments for works.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Report on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Debt Management and Bad Debt Policies

The statement of financial position and as disclosed in Note 12 to the financial statements reflects trade and other receivables balance of Kshs.804,166. It was, however, noted that the Company did not have a debt management policy and a policy on bad and doubtful debts. Further, aging analysis was not prepared to facilitate monitoring of receivables and cash flow forecasting.

In the circumstances, the recoverability of the full amount of receivables balance of Kshs.804,166 could not be confirmed.

2. Lack of Fixed Asset Register

The statement of financial position reflects property, plant and equipment of Kshs.78,758,464 and as disclosed under Note 15 to the financial statements which includes buildings, plant and machinery, computers and furniture and fittings. However, the Company did not maintain an asset register as required.

In the circumstances, it was not possible to confirm the existence of effective internal controls on management of fixed assets.

3. Failure to Establish an Internal Audit Unit and Audit Committee

The Company operated without an audit committee and an audit department as required by Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to establish an audit committee which shall support the accounting officers with regard to their responsibilities for issues of risk, control and governance and associated assurance and also to follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, it was not possible to confirm existence of effective internal controls, risk management and governance structures in the Company.

4. Lack of Information Technology Internal Controls

Review of the Company's Information Technology (IT) internal controls and risk management processes revealed that the Company did not have an IT strategy committee and IT steering committee. In addition, policies in respect of physical access to IT environments were not place.

Further, the Company did not have disaster management and recovery policies in place including fire suppression systems. The Company did not have business continuity plan and IT continuity plan including an off-site back-up plan.

Lack of effective Information Technology internal controls may result to huge losses in case of occurrence of disaster.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 Kenyan 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 not in agreement with the accounting records.

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 the 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 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 applicable basis of accounting unless the Management is aware of the intention to liquidate the Company or cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 Company's 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 January, 2024

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

XI. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023.

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	1,000,023	6,925,300
Grants Income	7	85,240,186	75,000,000
In-kind contribution	8	26,380,200	12,000,000
Other Income	9	0	-
Total Revenue		<u>112,620,409</u>	<u>93,925,300</u>
Expenses			
Staff Costs	10	40,285,550	16,775,462
General and Operations expenses	11	61,511,154	67,858,390
Board Expenses	12	0	4,156,451
Maintenance Expenses	13	194,680	500,000
Depreciation and Amortization expenses	14	8,991,781	8,047,524
Total Expenses		<u>110,983,165</u>	<u>97,337,827</u>
Profit/(Loss) Before Taxation		<u>1,637,244</u>	<u>(3,412,527)</u>
Profit/(Loss) After Taxation- 30%		<u>1,146,071</u>	<u>(3,412,527)</u>
Total Comprehensive Income For The Year		<u>1,146,071</u>	<u>(3,412,527)</u>

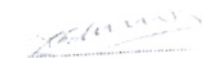
Elwak Water and Sewerage Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

XII. Statement Of Financial Position As at 30 June 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	78,758,464	60,077,685
Total Non-Current Assets		<u>78,758,464</u>	<u>60,077,685</u>
Current Assets			
Trade and receivable	16	804,166	2,762,785
Bank and cash balances	17	11,290,646	203,879
Total Current Assets		<u>12,094,812</u>	<u>2,966,664</u>
TOTAL ASSET		<u>90,853,276</u>	<u>63,044,349</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	100,000	100,000
Capital grant	15	78,758,464	47,766,496
Retained earnings		(7,577,706)	(3,412,527)
Capital and Reserves		<u>71,280,758</u>	<u>44,453,969</u>
Non-Current Liabilities			
Current Liabilities			
Trade and other payables	20	<u>19,572,518</u>	<u>18,590,380</u>
Total Current Liabilities		<u>19,572,518</u>	<u>18,590,380</u>
TOTAL EQUITY AND LIABILITIES		<u>90,853,276</u>	<u>63,044,349</u>

The financial statements were approved by the Board on **30th June 2023** and signed on its behalf by:



AG Chair Board of Directors



Head of Finance & Adm



Chief Executive Officer

Elwak Water and Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

XIII. Statement Of Changes In Equity For The Year Ended 30 June 2023

	Ordinary share capital	Capital Grants	Retained earnings	Proposed dividends	Total
At June 30, 2022	100,000	47,766,496	0	0	47,866,496
Revaluation gain	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0
Total comprehensive income	0	0	0	0	0
Capital/Development grants received during the year	0	0	(8,723,777)	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0
Dividends paid – 2021	0	0	0	0	0
Interim dividends paid – 2021	0	0	0	0	0
Proposed final dividends	0	0	0	0	0
At June 30, 2022	100,000	47,766,496	(8,723,777)	0	39,142,719
At July 1, 2022	100,000	0	0	0	100,000
Issue of new share capital	0	0	0	0	0
Revaluation gain	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0
Total comprehensive income	-	-	-	-	-
Capital/Development grants received during the year	0	78,758,464	1,146,071	0	70,227,340.5
Transfer of depreciation/amortisation from capital fund to retained earnings	0	0	0	0	0
Dividends paid – 2020	0	0	0	0	0
Interim dividends paid – 2021	0	0	0	0	0
Proposed final dividends	0	0	0	0	0
At June 30, 2023	100,000	126,524,960	(7,577,706)	0	119,047,254

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
UPC VAT contribution- Operations account		1,261,908	-
In Kind Contribution from Mandera County Government		26,380,200	-
Operating Revenue	21(a)	195,857	4,162,515
Non-Operating Revenue	21(b)	-	-
Grants	21(c)	85,240,186	75,000,000
Total Receipts		113,078,151	79,162,515
Payments			
Staff Costs	21(d)	40,285,550	4,775,462
Board Expenses	21(f)	0	4,156,451
General And Operation Expenses	21(e)	33,838,594	51,876,564
Maintenance Expense	21(g)	194,680	500,000
Net Cash From/(Used In) Operating Activities		(74,318,824)	(61,308,477)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	15	(27,672,560)	(21,980,914)
Net Cash From/(Used In) Investing Activities		(27,672,560)	(21,980,914)
Increase/(Decrease) In Cash And Cash Equivalents		11,086,767	(4,126,876)
Cash And Cash Equivalents At Beginning Of Year		203,879	4,330,755
Cash And Cash Equivalents At End Of The Year		11,290,646	203,879

Elwak Water and Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Balance				203,879	
Sales	2,000,000	1,000,000	1,000,023	195,857	605,800
Grants from the County Government	185,200,000	(109,959,814)	75,240,186	85,240,186	(10,000,000)
UPC project WSTF funding	18,000,000	18,000,000	18,000,000	1,261,908	0
Total income	205,200,000		94,240,209	86,901,830	605,800
Expenses		0			0
Casuals salaries and wages	15,800,000	13,200,000	13,905,350.00	13,905,350.00	0
UPC VAT 40% Contribution	1,261,908.00	0	1,261,908.00	1,261,908.00	0
Kenya Power and Lighting Company Ltd	1,075,000	975,000	100,000.00	100,000.00	0
Oil, Fuel and Lubricants	3000,000	0	3,000,000.00	2,500,000.00	500,000
Draught Mitigation expenses	18,000,000	6,770,000	11,230,000.00	11,230,000.00	0
Distribution Cost	1,500,000	806,014	693,986.00	693,986.00	0
Public Participation	5,000,000	250,000	4,850,000.00	4,850,000.00	0
Office general supplies and services	900,000	0	900,000.00	881,220.63	18,779.37
Communication services	500,000	100,000	400,000.00	400,000.00	0
MOTOR VEHICLE HIRE	2,400,000	1,650,000	750,000.00	750,000.00	0
Permanent staff Training and travels	10,000,000	1,895,300	8,304,700.00	8,304,700.00	0
Board Expense	1,000,000	250,000	750,000.00	750,000.00	0
Security services	1,000,000	0	1,000,000.00	1,000,000.00	0

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

Hospitality and Catering services	1,500,000	400,000	1,100,000.00	1,100,000.00	0
Office Expense	194,680	0	194,680.00	194,680.00	0
Bank Charges	0	0	0	16,779.97.00	0
CAPITAL EXPENDITURE EXPENSE					
Production Cost	35,000,000	1,456,940	28,000,000.00	27,672,560.00	327,440
TOTAL EXPENDITURE	98,131,588		76,440,624.00	75,594,404.00	846,220.00

XVI. Notes To the Financial Statements

1. General Information

Elwak Water and Sewerage Company Ltd is established by companies act and derives its authority and accountability from water Act and other relevant acts. The Company is wholly owned by the Mandera County Government and is domiciled in Kenya. The Company's principal activity is provision of safe and sufficient water to the residents within Elwak Municipality and its environs.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act, and International Financial Reporting

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Elwak Water and Sewerage Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2023**

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

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 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Elwak Water and Sewerage Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2023**

Title	Description	Effective Date
February 2021)		
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022/2023

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant 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 recognised in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	0	-
Leasehold Land	0	-
Buildings and civil works	20	-
Plant and machinery	12.5	8.4%
Motor vehicles, including motor cycles	10	-
Computers and related equipment	5	40%
Office equipment, furniture and fittings	5	20%

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately 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 on 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 Significant 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 income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at fair values 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 Significant Accounting Policies

n) Taxation

i) Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) 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.

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised 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.

t) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 recognised in profit or loss.

v) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 01/07/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded an appropriation of **Kshs 94, 240, 186** on the 2022-2023 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section IX of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

w) Service concession arrangements

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

x) Comparative figures

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

y) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

Elwak Water and Sewerage Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2023****NOTES TO THE FINANCIAL STATEMENTS (Continues)****6. Operating Revenue**

	2022-2023	2021-2022
	Kshs	Kshs
Revenue realized	195,857	4,162,515
Receivables	804,166	2,762,785
Total Water sales	1,000,023	6,925,300

7. Grants Income

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 KShs
Mandera County Government	85,240,186	0	78,758,464	85,240,186	85,240,186
Total	85,240,186	0	78,758,464	85,240,186	85,240,186

8. In Kind Contribution

	2022-2023	2021-2022
	Kshs	Kshs
In Kind contribution/donations from Mandera County Government	26,380,200	12,000,000
Total	26,380,200	12,000,000

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Sale of Tender	0	0
Fine and penalties	0	0
Total	0	0

10. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances- In Kind	26,380,200	12,000,000
Casual workers' Wages	13,734,350	4,775,462
Medical insurance schemes	171,000	0
Other allowances		
Total	40,285,550	16,775,462

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Electricity	100,000	399,970
Fuel, oil, lubricants, and gases	2,500,000	8,440,000
Production supplies	27,672,560	21,980,914
Selling and distribution cost	16,773,986	26,354,616
Office supplies	881,220.63	900,000
Office operations	0	850,000
Telecommunication	400,000	500,000
Hire of Equipment and vehicles	750,000	1,800,000
Fuel for Motor vehicle	0	500,000
Staff training and development	8,304,700	3,742,800
Board Training	750,000	
Bank Charges	16,779.37	15,090
Security services	1,000,000	1,500,000
Hospitality expenses	1,100,000	875,000
Research and Development		0
Conservation expenses		0
Provision for doubtful debts		0
Others (Specify)- VAT Contribution for UPC project	1,261,908	0
Total	61,511,154	67,858,390

12. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman Honoraria	0	0
Sitting allowances	0	372,800
Medical Insurance	0	0
Induction and Training	0	240,600
Travel and accommodation	0	3,543,051
Total Board Expenses	0	4,156,451

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Office rails	194,680	500,000
Total Maintenance Expenses	194,680	500,000

14. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant, and equipment	8,991,781	8,047,524
Total Depreciation and Amortization	8,991,781	8,047,524

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

15. Property, Plant and Equipment

	Freehold land	Buildings & civil works	Plant and machinery	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION	0	0	0	0	0	0
At July 1, 2021		1,200,000	30,156,346	2,945,851	5,843,000	40,145,197
Additions	0	0	21,980,914	0	5,999,098	27,980,012
At June 30, 2022	0	1,200,000	52,137,260	2,945,851	11,842,098	68,125,209
DEPRECIATION as At June 30, 2022	0	(120,000)	(4,380,764)	(1,178,340)	(2,368,420)	(8,047,524)
NET BOOK VALUE as At June 30, 2022	0	1,080,000	47,756,496	1,767,511	9,473,678	60,077,685
	0	0	0	0	0	0
At July 1, 2022		1,080,000	47,756,496	1,767,511	9,473,678	60,077,685
Additions	0	0	27,672,560	0	0	27,672,560
At June 30, 2023	0	1,080,000	75,429,056	1,767,511	9,473,678	87,750,245
DEPRECIATION As At June 30, 2023	0	(54,000)	(6,336,041)	(707,004)	(1,894,736)	(8,991,781)
Accumulated Depreciation		(174,000)	(10,716,805)	(1,885,344)	(4,263,156)	(17,039,305)
NET BOOK VALUE As At June 30, 2023	0	1,026,000	69,093,015	1,060,507	7,578,942	78,758,464

16. Trade and Other Receivables

	2022-2023	2021-2022
	KShs	KShs
Trade receivables	804,166	2,762,785
Net trade and other receivables	804,166	2,762,785

16 (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	804,166	2,762,785
Provision for doubtful receivables	0	(0)
Net trade receivables	0	2,762,785
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Over 120 days	804,166	2,762,785
Total	804,166	2,762,785

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Bank and Cash balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	11,290,646.34	203,879
Cash in hand	0	0
Mobile money account	0	0
	11,290,646.34	203,879

Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	KShs	KShs
a) Current account			
Equity bank ltd- Operation a/c	1000280260468	10,026,121.34	16,159
Equity bank ltd- Revenue a/c	1000280260417	2,617	186,720
Equity bank ltd-Development a/c	1000280259289	1,261,908	
Grand total		11,290,646.34	203,879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
100 ordinary shares of Kshs par 100 value each	100,000	100,000
Issued and fully paid:		
100 ordinary shares of Kshs 1000 par value each	100,000	100,000

19. Capital and Reserves

(a) Revaluation Reserve

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

(b) Fair Value Adjustment Reserve

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

(c) Retained Earnings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	19,572,518	18,590,380
Total	19,572,518	18,590,380

21. NOTES TO THE STATEMENT OF CASHFLOWS

21(a) Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Revenue realized	195,857	4,162,515
Total	195,857	4,162,515

21 (b) Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Sale of Tender	0	0
Fine and penalties	0	500,000
Total	0	500,000

21(c) Grants Income

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 KShs
Mandera County Government	85,240,186	0	78,758,464	85,240,186	85,240,186
Total	85,240,186	0	78,758,464	85,240,186	85,240,186

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21(d) Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
In-kind contribution from the county	26,380,200	
Casual workers' Wages	13,734,350	4,775,462
Medical insurance schemes	171,000	0
Other allowances	0	0
Total	40,285,550	4,775,462

21(e). General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Electricity	100,000	399,970
Fuel, oil, lubricants, and gases	2,500,000	8,440,000
\Selling and distribution cost	16,773,986	26,354,616
Office supplies	881,220.63	900,000
Office operations	0	850,000
Telecommunication	400,000	500,000
Hire of Equipment and vehicles	750,000	1,800,000
Fuel for Motor vehicle	0	500,000
Staff training and development	8,304,700	3,742,800
Board Training	750,000	
Bank Charges	16,779.37	15,090
Security services	1,000,000	1,500,000
Hospitality expenses	1,100,000	875,000
Others (Specify)- VAT Contribution for UPC project	1,261,908	0
SUB-TOTAL	33,838,594	45,877,476
Cash Flows from Investing Activities		
Purchase Of Property, Plant And Equipment (PPE)	27,672,560	21,980,914
SUB-TOTAL	27,672,560	21,980,914
GRAND-TOTAL	61,511,154	67,858,390

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21(f) Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Chairman Honoraria	0	0
Sitting allowances	0	372,800
Medical Insurance	0	0
Induction and Training	0	240,600
Travel and accommodation	0	3,543,051
Total Board Expenses	0	4,156,451

21(g). Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Office rails	194,680	500,000
Total Maintenance Expenses	194,680	500,000

Other Disclosures

22. Related Party Disclosures

County Government of Mandera

The County Government of Mandera is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Mandera 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 Mandera
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

23. Financial Risk Management

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

(i) Market risk

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

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

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

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

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022 Current FY			
Euro	0	0	-
USD	0	0	-
2021 Previous FY			
Euro	0	0	-
USD	0	0	-

c) Interest rate risk

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

d. Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e). 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.

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

24. Incorporation

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

25. Events After the Reporting Period

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

26. Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

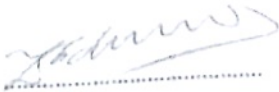
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the Financial Statements	The issues raised against the Financial statement was amended and approved by the board	Issa Ahmed Ali Head of Finance	Not resolved	1 year
2	Unaccounted for Water Sales	The financial statement was amended hence the issue is corrected and addressed	Issa Ahmed Ali Head of Finance	Not resolved	1 year
3	Unsupported Board Sitting Allowances	The company has installed more water meters to reduce non -revenue water although sufficient collection was hindered prolonged draught and suffering	Suleiman Ibrahim CEO	Not resolved	1 year
4	Unsupported Trade and Other Receivables	The trade receivables have been supported	Issa Ahmed Ali	Not resolved	1 year
5	Unsupported Trade and Other payables	The trade payables have been supported	Head of Finance	Not resolved	1 year
6	Non-Disclosure of Material Uncertainty Relating to Going Concern	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
7	Budgetary Control and Performance	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year
8	Unresolved Prior Year Matters	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
9	Failure to Implement Electronic Procurement Method	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year

Elwak Water and Sewerage Company Ltd.

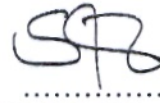
Annual Report and Financial Statements for the year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10	Indefinite Hire of Equipment and Vehicles	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
11	Failure to Deduct and Late Submission of Statutory Deductions	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year
12	National Hospital Insurance Fund (NHIF) Deductions	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
13	National Social Security Fund (NSSF) Deductions	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year
14	Lack of a License from Water Services Regulatory Board (WASREB)	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
15	Lack of a Fixed Asset Register	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year
16	Failure to Establish an Internal Audit Unit and Audit Committee	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
17	Lack of Risk Management Policy and Framework	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year
18	Non-Revenue Water	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
19	Lack of Staff Establishment and Scheme of Service	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year
20	Lack of Debt Management and Bad Debt Policies	The company has put measures in place to counter the issue	Issa Ahmed Ali	Not resolved	1 year
21	Lack of Approved Information Technology Security Policy	The company has put measures in place to counter the issue	Head of Finance	Not resolved	1 year

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023



Date. 30/06/2023



Date... 30/06/2023

Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by ELWASCO Funded by development partners

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

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	N/A	N/A	N/A	N/A	N/A	N/A	N/A

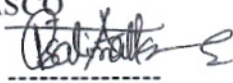
Elwak Water and Sewerage Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the County Department of Finance			
FY 2019/2020			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
Recurrent	8/7/2022	4,397,886.00	
Recurrent	12/10/2022	3,327,440.00	
Recurrent	2/11/2022	14,000,000.00	
Recurrent	28/12/2022	10,000,000.00	
Recurrent	12/10/2022	2,842,300.00	
Recurrent	11/5/2023	13,000,000.00	
Recurrent	27/06/2023	10,000,000	
	Total		
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
Development	10/2/2023	25,000,000.00	N/A
Development	12/10/2022	2,672,560.00	N/A
	Total	27,672,560	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
	Total	XXX	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
	Total	XXX	

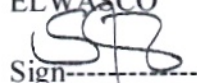
The above amounts have been communicated to and reconciled with the parent Ministry
Head of Finance & Adm
ELWASCO

Sign



AIE Holder
ELWASCO

Sign



Elwak Water and Sewerage Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount – KES
MANDERA COUNTY GOVERNMENT	8/7/2022	Recurrent	4,397,886.00
MANDERA COUNTY GOVERNMENT	12/10/2022	Development	6,000,000.00
MANDERA COUNTY GOVERNMENT	2/11/2022	Recurrent	14,000,000.00
MANDERA COUNTY GOVERNMENT	28/12/2022	Recurrent	10,000,000.00
MANDERA COUNTY GOVERNMENT	10/2/2023	Development	25,000,000.00
MANDERA COUNTY GOVERNMENT	3/4/2023	Recurrent	2,842,300.00
MANDERA COUNTY GOVERNMENT	11/5/2023	Recurrent	13,000,000.00
MANDERA COUNTY GOVERNMENT	27/06/2023	Recurrent	10,000,000.00
Total			85,240,186

Name Suleiman Ibrahim Roba

Signature 

Chief Executive Officer

Date 30/06/2023