

REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MARSABIT WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

PAPERS LAID	
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**MARSABIT WATER AND SEWERAGE COMPANY LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED JUNE 30 2019**

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

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**I. KEY COMPANY INFORMATION**

**a.] Background information**

The company was incorporated in Kenya under cap. 486 laws of Kenya. Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company.

MARWASCO is fully formed and owned company by the County Government of Marsabit with a mandate to provide water supply and sewerage services in the county. As the company started its operations, it took over O&M and management of water supply facilities from the Sub County Water Officers.

Its mandate as a Water Services Provider (WSP) for Marsabit County includes providing water supply and sewerage services in urban and market growth areas, enhancing good governance and performance of rural water supply facilities, increasing access to good quality water and sewerage/safe sanitation, and promoting hygiene and safe sanitation in partnership with other actors and players. MARWASCO is committed to providing reliable water supply and sewerage services.

**a.] Principal Activities**

The principal activity of the Company is the provision of water and sewerage services within Marsabit Town and its environs.

**Vision:**

To be the leading company in provision of water and sanitation services in Kenya.

**Mission:**

To improve quality of life by providing safe, reliable, adequate and affordable water and sanitation services through commercially and environmentally sustainable approaches to the satisfaction of our customers and other stakeholders

**b.] Directors**

The Directors who served the company during the year were as follows:




S no	Name	Designation	Date of appointment
(i)	Hon. Jarso Jillo Fallana	Chairman	2017
(ii)	Imuro Sharamo	Member	2017
(iii)	Abdi Noor Intalo	Member	2017
(iv)	Stephen Ali Gorai	Member	2017
(v)	Sadick Mustapha Dofa	Member	2017
(vi)	Fatuma Konchora Wario	Member	2017
(vii)	Anne Ngauri Gudere	Member	2017
(viii)	Dr. Chris Galgallo	Member	2017
(ix)	Denge Fayo Godana	Member	2017
(x)	Roba Qalicha M.	Member	2017

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- c.] d) **Registered Office**  
Water Road  
P.O. Box 69 - 60500  
Marsabit, Kenya
- d.] e) **Corporate Headquarters**  
P.O. Box 69 – 60500  
Marsabit, Kenya
- e.] f) **Corporate Contacts**  
Telephone: (254) 25689803  
Email: marwascowater@yahoo.com  
Website: www.marwasco.or.ke
- f.] g) **Corporate Bankers**  
KCB Bank  
Marsabit, Branch  
39260500, Marsabit
- g.] h) **Independent Auditors**  
Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya
- h.] i) **Principal Legal Advisers**  
The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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**II. THE BOARD OF DIRECTORS**

Name	Description
<p>1. Eng. Joseph Guyo Halake Chairman Board of Directors</p>  <p style="text-align: center;"><b>DOB:1958</b></p>	<p><b>Eng. Joseph Guyo Halake</b> aged 65, joined the board in 2021. He is a celebrated retired civil servant with over 24 years working experience with the government of Kenya. Voluntarily retired at the age of 50 years from the civil sector. Served government through the Ministry of Lands.</p> <p>He graduated with a Bachelor of Science Degree in Surveying and Photogrammetry in 1984. Holds Master's Degree (M.ENG.) in surveying Engineering from the university of New Brunswick, Canada.</p> <p>Joseph started his career as a secretary to the land Survey Board (20032008), Chairman Land Surveyor chapter of the institute of Surveyors of Kenya (ISK) and a letter admitted as a full member of Association of Licensed Surveyors of Kenya (ALSK). Halakhe also served as Chairperson Organizing Committee of the Centennial Celebration of Survey of Kenya (19032003)</p>
<p>2. Hon. Stephen Sora Katelo Managing Director</p>  <p style="text-align: center;"><b>DOB 1979</b></p>	<p>Hon Stephen Sora Katello aged 44 Joined MARWASCO ON 10<sup>th</sup> February 2023 as Managing Director. He graduated with a BED Science (Mathematics and computera) in 2009.</p> <p>Stephen was a former Teacher AT Buruburu Girls (200420123 and Chief Officer in the department of Education, Youths, Sports and skills Development (20132017).</p>
<p>3. Mr. Godfrey Godana Guyo Board Member</p>  <p style="text-align: center;"><b>DOB:1980</b></p>	<p>Mr. Godfrey Godana aged 43, joined the board in 2021. He has over 14 years extensive experience and expertise in Governance, Capacity Building, Research and Project development.</p> <p>He worked as a Deputy Director and head of programs and Deputy Justice and peace Coordinator with Caritas Marsabit.</p>

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<p>4. Mr. Galgallo Sori Gaibo Board Member</p>  <p style="text-align: center;"><b>DOB:1972</b></p>	<p>Mr Galgallo Sori Gaibo aged 51, is a professional and expert in Project planning and Management. Working experience with over 20 years in both the public and private sector. Holds Bachelor Degree in project planning and management from the university of Nairobi and Masters of Arts in project planning from the same institution. Worked as research assistant on quality of care in private clinics by the ministry of health Dept of Maria control and also Project officer (PACDEP) Linking Women groups to financial institutions,</p>
<p>5. Mr. Boru Wario Boru Board Member</p>  <p style="text-align: center;"><b>DOB:1990</b></p>	<p>Mr. Boru Wario, aged 33, is an expert in Human Resource Management (HRM) with 8 years relevant extensive experience. He currently operates as a business strategy formulator, financial data Maintainer and financial reporter. Served as a youth's congress leader and advocacy for hopes, capacity building and needs of youths in the society He holds a Diploma in Human Resource Management (HRM) from ELDORET COLLEGE OF PROFESSIONAL STUDIES.</p>
<p>6. Mr. Stephen Shakhe Board Member</p>  <p style="text-align: center;"><b>DOB:</b></p>	<p>Mr. Shakhe Stephen Katelo is a holder of a Bachelor of Computer Science and Engineering from National Institute of Technology, University of Burdwan, India. He has long years of work experience spanning over 18 years both with private sector and Government. He is currently serving as Director for ICT and at the Department of Water, Environment and Natural Resources of the County Government of Marsabit and a Board Member to Marsabit Water and Sewerage Company.</p>
<p>7. Mrs. Sarah Fure Siko Board Member</p>  <p style="text-align: center;"><b>DOB:1990</b></p>	<p>Mrs. Sarah Fure Siko aged 33 is a civil servant currently working with the County Government of Marsabit at directorate of internal audit. Previously served in different capacity at Accounts section.</p> <p>She graduated with Bachelor of Commerce accounting option at KCA university in 2012 and CPA II in 2015. Sarah started her career as Accountant in treasury of County government of Marsabit in 2013 and later joined directorate of internal audit in the same institution in 2020 to date.</p>

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8. Mrs. Jacinta Lekidayo  
Kargiya  
Board Member



**DOB:1993**






Jacinta joined board in 2021, Aged 30, she is a senior Environmentalist with over 11 years working experience in both public and private sector.

Jacinta holds a Bachelor's Degree in Environmental Studies (community Development) from Kenyatta University. Began her career back in 2012 as an Independent Electoral and Boundaries Commission (IEBC) as a voter registration clerk, worked with Food for Hungry Kenya as a Nutritional Enumerator, Thika water and Sewerage Company (THIWASCO) as a Data Entry Clerk, Baseline Survey Enumerator with World Vision and Samwell Hall Consultancy as a data collection Enumerator.



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**III. MANAGEMENT TEAM**

Management	Details
 <p data-bbox="236 678 536 707">Hon. Stephen Sora Katelo</p>	<p data-bbox="730 338 1382 405">Hon Stephen Sora Katelo aged 44 Joined MARWASCO ON 10<sup>th</sup> February 2023 as Managing Director.</p> <p data-bbox="730 432 1409 495">Holds BED Science (Mathematics and computers) in 2009.</p> <p data-bbox="719 521 1310 656">Stephen was a former Teacher at Buruburu Girls (200420123 and Chief Officer in the department of Education, Youths, Sports and skills Development (20132017)</p>
	<p data-bbox="719 786 1038 853">Technical Service Manager. Bsc Civil. Engineering</p>
 <p data-bbox="220 1283 424 1312">Katelo Badolicha</p>	<p data-bbox="719 1061 922 1090">Finance Manager.</p> <p data-bbox="719 1128 1254 1196">Holds a degree in Business Administration and Management.</p>
 <p data-bbox="220 1568 400 1597">Guyo summure</p>	<p data-bbox="719 1323 1023 1391">Human Resourcē Manager Holds a Diploma in HRM</p>
 <p data-bbox="220 1854 376 1883">Hussein Kirri</p>	<p data-bbox="719 1610 1214 1677">Commercial Services Manager. Holds a degree in Economics and Statistics</p>

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**IV. CHAIRMAN'S STATEMENT**

It is with great pride that I report yet another year of solid growth and stellar financial performance for our company, in line with our expectations. We have remained steadfast in our commitment to transforming the lives of the community we serve through continuous provision of the services that make a real difference to our customers.

The last twelve months have been characterized by several dynamic factors that have shaped the overall business environment. This factor includes but no limited to the prolonged dry spell that redefined some elements in our industry.

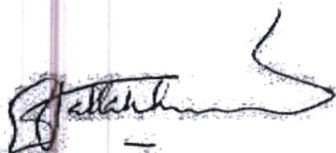
On the governance front, the impact of devolution has continued to take shape. We got involved in discussing with the county government in funding the implementation of some lines within the scheme area.

Our dedication to our strategy has yielded a relatively fair set of financial results, despite the prolonged dry spell which has been witnessed in our country. This is a clear confirmation of our commitment to generating long term value for our stakeholders.

In conclusion, we continue to enjoy the support and goodwill inter alia of the Regulatory Authority, the Board, our clients, suppliers and service providers. I wish to record our appreciation to them all and note that we highly value this relationship.

I also wish to thank and congratulate the management team and staff of the company for the loyalty, dedication and tireless efforts that have made these results possible.

Finally, to my fellow directors, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.



**Eng. Joseph Guyo Halake**  
**Chairman Board of Directors**  
**Marsabit Water and Sewerage Company**

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**V. REPORT OF THE MANAGING DIRECTOR**

From records am pleased to announce yet another year of fair performance in our duty of provision of water services. We have maintained our record of growth through superior commercial performance across our entire services. Our customers have rewarded us with loyalty as we have strived to over deliver on our promise of a superior customer experience. Our fairly financial performance has enabled us to continue with substantial investment in our network and other services. Customer satisfaction levels have continued to improve as evidenced by higher usage of our services.

Due to favorable weather conditions experienced almost all the year round, our total revenue realized was Kshs 1,881,810 from our customer base.

Our other miscellaneous services continue to increase. Application fees for new connections remain the key driver, having generated slightly above half of our total miscellaneous revenue. The growth was driven primarily by our number of customers who stood at 300 as at close of the accounting period.

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately thirty-five years. They are enthusiastic to make certain that we are always in the front. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved.

**Strategic Priorities**

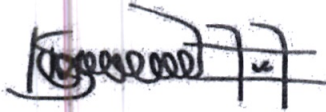
Our goal is to continue transforming the lives of our fellow Kenyans and delighting our customers with great value and services. SMS billing still ongoing well. That is a mile stone project given the value it has added to the company after it was fully automated. Further the company's migration to cash being paid directly to the bank has gone on well. During the year, we intend to commence the process of MPESA payment. This will give our customers the opportunity to choose their preferred mode of payment. Our priority this year is growing the number of active connections and making E payment the preferred mode of payment. This will make a significant contribution to the lives of our customers and accelerate Kenya towards a cash lite economy.

To ensure our customers get value for their money, we intend to engage both the Regulator and the Board in Regular Tariff Adjustment (RTA) issue.

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MARWASCO has continued to be the front runner and this can only be due to the commitment and diligence by the board, management and staff who have worked tirelessly to satisfy our clients, and all stakeholders. I register my appreciation to the support which has made 2019 once again a momentous year for all of us.

We hope to offer better services in 2020.

A handwritten signature in black ink, appearing to read 'Stephen Sora Katelo', written over a horizontal line.

**Managing Director**

**Hon. Stephen Sora Katelo**

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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2018-2019**

Marsabit Water & Sewerage Company Ltd (MARWASCO) has five strategic objectives within its strategic plan for the FY 2018-2019, 2019-2020, 2021-2022.

These strategic objectives are;

- Increase access to clean and safe drinking water and sanitation services
- Grow financial and commercial position and viability
- Provide timely, quality and reliable services.
- Strengthen organizational structures and operational processes.
- Strengthen people and communication systems

MARWASCO develops its annual work plan based on the above five strategic objectives.

Assessment of the Board's performance against its annual work plan is done on quarterly basis. MARWASCO achieved its performance targets set for the FY 2018-2019 period for its five strategic objectives, as indicated in the diagram below;

Strategic Objective	Key performance indicator(s)	Activities	Achievements
Increase access to clean and safe drinking water and sanitation services	Increase in water connections Increase in sewer connections Increase in coverage	Extension of water services Extension of sewer services	Extended water services by 11km.
Grow financial and commercial position and viability	Increase in o & m cost coverage	Increase in production to increase sales Checking on operating expenses	increase in production by 400m <sup>3</sup> Reduction in the operating expenses
Provide timely, quality and reliable services.	Enhanced services hours	Injecting more water into the system	Increased service hours from 20hrs/day to 21hrs/day

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Strategic Objective	Key performance indicator(s)	Activities	Achievements
Strengthen organizational structures and operational processes.	Improved company performance Improved services quality	Undertake change management training for all staffs and BoD Develop workplace policies that are flexible and friendly to the staff Institute the culture of continuous improvement in all departments and promote health competition	BoD were trained Staffs were trained on performance management Human resource, data management and performance management policies under review and development
Strengthen people and communication systems	Good staff performance Motivated staff Low staff turn over	Develop robust performance management systems that reward and celebrate good performance Conduct periodic staff satisfaction survey and undertake remedial measure as informed by the survey Develop framework for staff development and retention.	Performance management policy under development

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**VII. CORPORATE GOVERNANCE STATEMENT**

Marsabit Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator.

The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Marsabit residents and its environs, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

Board appointments shall be transparent and competitive so as to ensure the public served has an opportunity to participate in decision making in service delivery that affects them. Vacant positions shall be advertised in the media and on the website of the WSP and the criteria set out by WASREB nationally shall be used. An ad hoc nominating committee of the board of directors comprising county and select committee from two or three primary/key stakeholders shall assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the company. The select committee shall receive the applications, vet them to ensure that they comply to the Fit and Proper Test plus the eligibility criteria and where necessary conduct interviews. The Report of the selection committee shall be submitted to the shareholder who is required as shareholder and function owner to ensure that only persons who add value to the company are appointed. A letter of appointment issued by the county secretary that adheres to the articles of association of the WSP shall be given after ratification of names of the accepted directors at annual general meeting by the shareholder. The letter must contain a termination clause on poor performance and misconduct and ensure that it captures that unless the board is retired due to poor performance a third of the members shall retire every year

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from the third year. Board members shall serve a maximum of six (6) years based on the approval of the shareholder and on performance issues

Before a board member begins to serve, he/she must be inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003. The list of ratified board members and the stakeholder group they represent shall be maintained on the website of the WSP and shall be communicated to water Services Regulatory Board (WASREB). It is important that board service is not disrupted by the election cycle and independent oversight must not be compromised by the election cycle.

Board succession and period in office; the shareholder must avoid a situation where all Board members retire at the same time in order to ensure institutional memory. In order to avoid this situation, one third of the Board members other than those from the County Governments, shall retire from office by rotation every year starting from the third year after appointment. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot. The retiring members shall be required to reapply for their positions if they are eligible for reappointment. The county water department as function owner is advised to use annual performance evaluation of the board of directors and WSP to assess suitability of reapplying members and the need to make changes to improve performance.

The remuneration of the Directors shall be within the national benchmarks set in the water services sector in reference to ability to pay and shall be by way of sitting allowances only. Any director who, being so requested by the Board of Directors, performs special or extraordinary services on behalf of the company, or who travels outside Kenya for the purpose of discharging his duties may be paid such extra remuneration as the Board of Directors may determine, provided that the rates of such extra remuneration shall be those approved in the sector by the regulator

**The roles and functions of the Board of directors include;**

- (i) Appointing a Managing Director and senior management team competitively.
- (ii) Borrowing or raising money for the company operations within guidelines issued in the sector.
- (iii) Appointing any company or firm to be Advocate or Advocates of the Company to carry out any legal undertakings of the Company as it may be deemed fit.
- (iv) Implementing of the company's Memorandum and Articles of Association provide guidelines and control the functions of the Company.



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- (v) Causing minutes to be made in books.

The Board has an approved charter to guide its operations and functions.

During the year under review, four board and twelve committee meetings were held. All committee meetings were fully attended.

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**VIII MANAGEMENT DISCUSSION AND ANALYSIS**

**Company's operational and financial performance**

Water production reduced slightly by 8.89% due to prolonged draught occasioned with periodical heavy rains leading to high turbidity, siltation and frequent pump breakdowns hence low production. Comprehensive desilting of the intake works at our water sources were carried out aimed at production expansion and normalization.

Overall Chemical usage increased slightly due to the poor quality of water however, the quality of treated water was still maintained. Due to favorable weather conditions experienced almost all the year round, our total revenue realized was **Kshs 1,881,810** from our customer base.

Supply fails, Pipe Burst & sewer blockages were attended as reported.

Externally Funded Projects, projects launched in the financial 2018-2019 had been successfully implemented except a few that took long than anticipated due to prolonged draught occasioned with periodical heavy rains causing floods and affecting the accessibility to the project sites. The company is in the process of designing and installation of the new pipeline that can carry high volume of water.

**Challenges**

- (i) Water production failing to meet the demand.
- (ii) increased private borehole developers who laid pipelines illegally, damaging our pipelines and proceeded to connect customers
- (iii) Flooding of river intake that submerged our pumps leading to damaged motors.
- (iv) Encroachment by private developer in our water and sewer wayleaves.
- (v) High turbidity during rainy season.
- (vi) Vandalism of water and sewerage infrastructure
- (vii) Frequent damages of sewer and water Infrastructure by road, fiber cable and KPLC contractors.
- (viii) Frequent power outages.
- (ix) Siltation of our intakes leading to wearing pump parts and as a result low water production.
- (x) Old dilapidated pipeline networks, prone to damages.

**Opportunities**

- (i) Good geographical location.

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- (ii) Good public goodwill.
- (iii) High demand for water and sanitation services.
- (iv) High population growth rate within our catchment
- (v) Good regulatory environment
- (vi) Improve in response time to leaks and blockages due to mobilization of the O&M teams

The management is pleased to report that the company's operational efficiency has improved significantly during the period under review. The non-revenue water has not increased from 30%.

There were 300 clients that were connected for the services. The company has employed latest technologies like extending services using HDPE pipes which are better than UPVC pipes.

The company met its financial obligations without defaulting. The budgetary expectations were met.

There was no staff turnover during the year. The company took section heads for refresher training during the period under review. This has really improved staff morale and performance levels.

The company fully complied with statutory requirements, both financial and legal. This excites as the company faces no risk of invalid business operations.

The year was generally a success despite the adverse effects of prolonged drought.

Comparison of the company cash flow for the 2 years is as tabulated below;

S No	FY	Cash flow (Kshs)
1	2018-2019	1,881,810
2		

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**IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Marsabit water & sewerage Company Ltd (MARWASCO) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence.

Below is an outline of the organization's policies and activities that promote sustainability.

**i) Sustainability strategy and profile –**

The company has made deliberate efforts to increase production, reduce nonrevenue water, extend water services and employ latest technologies in service delivery to better its performance and sustain delivery of reliable services. Despite adverse climatic changes, MARWASCO has served its clients to satisfaction.

**ii) Environmental performance**

MARWASCO employs environmentally sustainable approaches in its service delivery. The company has responded to all bursts in the shortest time possible to check on the degradation of its business environment.

Environmental management and coordination act, 1999, world health organization standards and water services regulatory Board (WASREB) standards guide the company in its environmental performance.

**iii) Employee welfare**

Company employees are its greatest asset. MARWASCO has a good human resource management policy. The policy clearly guides the company on hiring, training, developing, disciplining and rewarding of staffs. It advocates for gender parity in engagement of employees. The policy has best flexibility where, all stakeholders have equal stake in its reviews and improvements.

**iv) Market place practices**

**a) Responsible competition practice.**

MARWASCO handles its clients, suppliers with utmost care. It operates an anticorruption policy. The price of services is regulated to ensure affordability. The clients enjoy best of services and products of highest quality at the most affordable prices.

**b) Responsible Supply chain and supplier relations**

The company meets its obligations as they fall due without fail. The company suppliers enjoy prompt payments for goods delivered as enforced through the company's financial manual.

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**c) Responsible marketing and advertisement**

As a monopoly within its jurisdiction, the company faces zero competition. Its marketing is run in form of public information to the clients on radio shows, public fora, client clinics and bulk SMSs.

**d) Product stewardship**

Kenya bureau of standards, WHO standards and the regulator's consumer engagement guidelines suffice in ensuring that the company gives the clients best of products.

**v) Corporate Social Responsibility / Community Engagements**

Marsabit Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator. The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Marsabit residents and its environs, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

**MARSABIT WATER AND SEWERAGE COMPANY LTD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2019**

**X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended

June 30, 2019 which show the state of the Marsabit water & Sewerage Co. Ltd.'s affairs.

**i) Principal activities**

The principal activity of the Company is provision of water and sewerage services within Marsabit Town and its environs.

**ii) Results**

The results of the company for the year ended June 30, 2019 are set out on page 15.

Below is summary of the profit or loss made during the year;

Income (Kshs.)	Expenses (Kshs)	Profit/Loss (Kshs)
1,881,810	4,545,946	(2,664,136)

**iii) Dividends**

There is no dividend recommended for pay out. Under water act 2016, this is a nonprofit, public service delivery company.

**iv) Directors**

The members of the Board of Directors who served during the year are shown on page iv & v

**v) Auditors**

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

**By Order of the Board**

**Name; Stephen Sora Katelo**

**Signature;**



**Date 6<sup>th</sup> March, 2023**

**Corporate Secretary/Secretary to the Board**

**MARSABIT WATER AND SEWERAGE COMPANY LTD  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2019**

**XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 164 of the water act 2016, require the directors to prepare financial statements in respect of Marsabit water and sewerage co. ltd, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of company for the period. The directors are also required to ensure that Marsabit water and sewerage co. ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safe guarding the assets of the company. 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 the company for and as at the end of the financial year (period) ended on 30th June 2019. These responsibilities include:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company.
- c) 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.
- d) Safeguarding the assets of the company.
- e) Selecting and applying appropriate accounting policies

The directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with international financial reporting standards (IFRS), and in the manner required by the PFM act and the state corporations act.

The directors are of the opinion that the company's financial statements give a true and fair view of the company's transactions during the financial year ended 30th June 2019, and of the company's financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the company

**MARSABIT WATER AND SEWERAGE COMPANY LTD  
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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 the company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The company's financial statements were approved by the board on 6<sup>th</sup> March, 2023 and signed on its behalf by;



.....

**Eng. Joseph Guyo Halake  
Katelo Chairman**



.....

**Hon. Stephen Sora  
Managing Director**



# REPUBLIC OF KENYA

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E-mail: 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 MARSABIT WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Marsabit Water and Sewerage Company Limited set out on pages 23 to 45, which comprise the statement of financial

position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Marsabit Water and Sewerage Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

### **Basis for Qualified Opinion**

#### **Property, Plant and Equipment**

The statement of financial position and Note 12 to the financial statements reflects Kshs.19,384,282 in respect of property, plant and equipment. However, the fixed assets register had a record of three motor vehicles of un-determined value as shown below. Although Management explained that the motor vehicles were donated by Northern Water Works Development Agency, the Company had not completed the process of ownership transfer from the Agency.

	<b>Motor Vehicle Registration</b>	<b>Use</b>	<b>Make</b>
1	KDA 125P	Exhauster	Isuzu Lorry
2	KDA 126P	Exhauster	Isuzu Lorry
3	KBJ 111U	Passenger	Defender 110

Further, the Company inherited office furniture, water equipment and residential houses of un-determined value from the county water department as shown below and which were in use but had not been officially handed over to it.

	<b>Description</b>	<b>Quantity</b>
1	Office table '8*4'	2
2	High back swivel chair	1
3	Lenovo desktop	2
4	HP desktop	1
5	HP Pro Laser printer	1
6	Three-bedroom House	2
7	Water Meters	19

	Description	Quantity
8	Single room house	16
9	One-bedroom House	1
10	Two bedrooms House	2

In the circumstance, the completeness and accuracy of the property, plant and equipment balance of Kshs.19,384,282 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Marsabit 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 qualified opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a total expenditure budget and actual expenditure on comparable basis of Kshs.23,930,228 and Kshs.35,400,000, respectively, resulting to under expenditure of Kshs.11,469,772 or thirty-two per cent (32%).

In the circumstances, the under expenditure may have negatively affected the Company's operations during the year under review.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Review of the Company's Performance for financial year 2018/2019 against the Predetermined Objectives, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1.0 Late Submission of Financial Statements**

The Company submitted financial statements for the year ended 30 June, 2019 for audit on 26 September, 2023 over 4 years after the statutory deadline contrary to Section 7 of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstance, Management was in breach of law.

### **2.0 Non-Revenue Water (NRW)**

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs.1,881,810 in respect of water sales for the year. Information available indicate that the Company did not track water production from the intake hence the total yearly production and the production cost per cubic meter (M<sup>3</sup>) of the same could not be determined.

During the year, the Water Company sold 10,753.2 cubic meters (M<sup>3</sup>) of water at an average price of Kshs. 175 per cubic meter (M<sup>3</sup>).

In the absence of cubic meters production data, it was not possible to determine the amount of Non-Revenue Water (NRW) for the year under review and whether the water company complied with Annex I of Water Services Regulatory Board (WASREB) guidelines on Service Performance Standards, 2006 which allows a maximum loss of 25% for every cubic meter (M<sup>3</sup>) of water produced.

In the circumstance, the Management may not be able to determine the water loss and the impact it has on the Company's profitability and its long-term sustainability.

### **3.0 Failure to Provide for Audit Fees**

The Company did not make a provision for audit fees in the financial statements for the year 2018/2019 contrary to Section 41(1)(c) of Public Audit Act, 2015 which provides that the sources of funds for the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

In the circumstances, failure to charge the audit fee in the financial statements understated the expenditure and conversely the liabilities for the year under review.

### **4.0 Disparity Between the Financial Statements and the Registrar of Companies on Directorship**

Section (b) on key company information indicates a list of ten (10) directors who served the Company during the year under review. However, this differs with the records at the registrar of companies which shows that the company had two (2) directors in the register during the year as per the Company Registration Form (CR12).

In the circumstance, it is apparent that the Water Company failed to submit returns on the Company Management with the Registrar of Companies contrary to Section 706(1)(c) of the Companies Act which provides that a company shall ensure that its annual return states the date to which it is made up and contains the particulars prescribed by the regulations which includes the directors of the company.

In the circumstance, Management was in breach of 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1.0 Lack of Risk Management Policy**

The Water Company does not have a risk management policy contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, the effectiveness of the internal controls in the financial and operational environment of the Company could not be confirmed.

### **2.0 Lack of Internal Audit Function**

During the year under review, the Company had no appropriate arrangement for conducting internal audit function contrary to Section 155(1) of the Public Finance Management (PFM) Act, 2012 that mandates the Company to ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the lack of an internal audit function may lead to ineffective internal controls and non-compliance with the relevant laws, rules and regulations.

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 Companies Act, 2015 I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and
- iii. The Company's financial statements are in agreement with the accounting records and returns.

## **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. 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 or to sustain its services.



- 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 to 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

11 March, 2024

**MARSABIT WATER AND SEWERAGE COMPANY LTD**  
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**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019.**

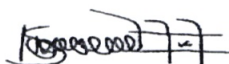
Description	Note	2018 2019	2017 2018
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	1,881,810	
<b>Total Revenue</b>		<u><b>1,881,810</b></u>	
<b>Expenses</b>			
Staff Costs	8		
General and Operations expenses	9	4,094,456	
Board Expenses	10		
Maintenance Expenses	11	451,490	
<b>Total Expenses</b>		<u><b>4,545,946</b></u>	
<b>Profit/(Loss) Before Taxation</b>		<u><b>(2,664,136)</b></u>	
<b>Income Tax Expense/(Credit)</b>			
<b>Profit/(Loss) After Taxation</b>			
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>			
<b>Total Comprehensive Income for The Year</b>		<u><b>(2,664,136)</b></u>	

**MARSABIT WATER AND SEWERAGE COMPANY LTD**  
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**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2018 2019	2017 2018
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	19,384,281.80	
<b>Total Non-Current Assets</b>		19,384,281.80	
<b>Current Assets</b>			
Bank and cash balances	13	10,775,332.20	
<b>Total Current Assets</b>		10,775,332.20	
<b>TOTAL ASSET</b>		<b>30,159,614</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained earnings	14	(2,664,136)	
<b>Capital &amp; development fund</b>	15	<b>32,823,750</b>	
<b>Total Capital and Reserves</b>		<b>30,159,614</b>	
<b>Current Liabilities</b>			
Trade and other payables			
Customer Deposits			
Deferred Income			
<b>Total Current Liabilities</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,159,614</b>	

The financial statements were approved by the Board on 6<sup>th</sup> March, 2023 and signed on its behalf by:



Managing Director  
**Hon Stephen Sora**  
**Katello**



Head of Finance  
**CPA Hussein Rob Boye**  
**ICPAK Member No.29375**



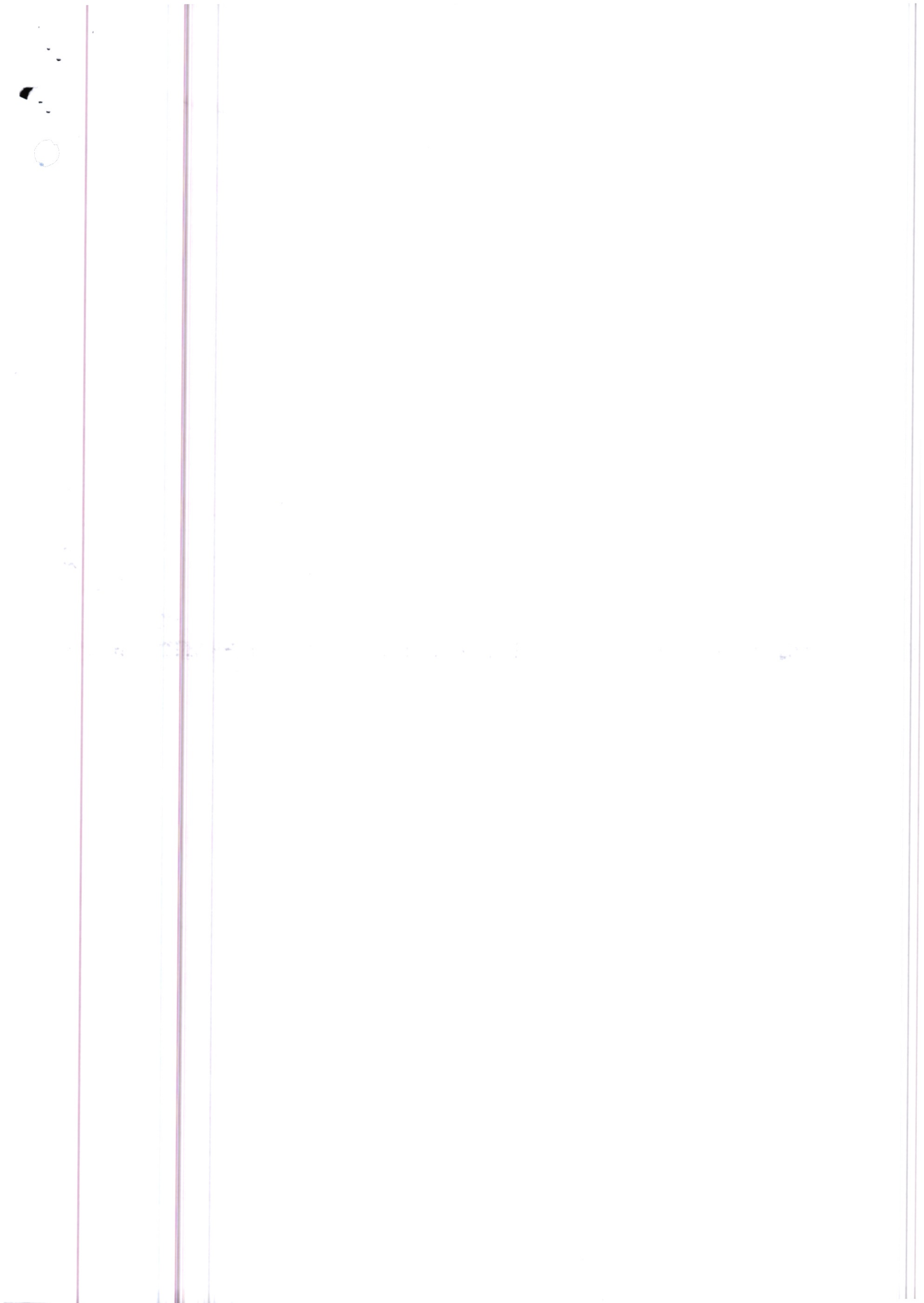
Chairman of the Board  
**Eng. Joseph Guyo Halake**



**MARSABIT WATER AND SEWERAGE COMPANY LTD**  
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**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Ordinary share capital	Revaluation reserve	Retained earnings	Capital/ Development Fund	Total
<b>As at July 1, 2017</b>						
Revaluation gain						
Profit for the year						
Capital/Development grants received during the year						
<b>As at June 30, 2018</b>						
<b>As at July 1, 2018</b>				-	-	-
Revaluation gain						
Transfer of excess depreciation on revaluation						
Profit for the year				(2,664,136)		(2,664,136)
Capital/Development grants received during the year					32,823,750	32,823,750
<b>At June 30, 2019</b>				<b>(2,664,136)</b>	<b>32,823,750</b>	<b>30,159,614</b>



**MARSABIT WATER AND SEWERAGE COMPANY LTD**  
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**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018 2019	2017 2018*
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Revenue	6	1,881,810	
Grants	7	32,823,750	
Customer Deposits			
<b>Total Receipts</b>		<b><u>34,705,560</u></b>	
<b>Payments</b>			
Staff Costs	8		
Board Expenses	10		
General and Operation Expenses	9	4,094,456	
Maintenance	11	451,490	
Total Payments		<b>4,545,946</b>	
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>30,159,614</b>	
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment (PPE)		(19,384,281.80)	
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(19,384,281.80)</b>	
Increase/(Decrease) In Cash and Cash Equivalents		<b><u>10,775,332.20</u></b>	
Cash and Cash Equivalents as at 1 <sup>st</sup> July 2018		-	
Cash and Cash Equivalents as at 30 June 2019		<b><u>10,775,332.20</u></b>	



11/11/11

11/11/11



**MARSABIT WATER AND SEWERAGE COMPANY LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Sale of water	1,900,000		1,900,000	1,881,810	18,190	99%
Development grants	33,500,000		33,500,000	32,823,750	676,250	98%
<b>Total income</b>	<b><u>35,400,000</u></b>	<b>-</b>	<b><u>35,400,000</u></b>	<b><u>34,705,560</u></b>	<b>694,440</b>	
<b>Expenses</b>						
Supervision	915,638		915,638	915,638	-	100%
subsistence allowances	835,676		835,676	635,676	200,000	76%
Transport	1,201,438		1,201,438	1,201,438	-	100%
Advertisement. Printing & Reproduction	184,192		184,192	184,192	-	100%
Stationery	53,274		53,274	53,274	-	100%
Bank Charges	399,390		399,390	399,390	-	100%
Motor vehicle running Expenses	615,000		615,000	451,490	163,510	73%
Hall hire	150,000		150,000	31,216	118,784	21%
Branding & Signages	362,352		362,352	362,352	-	100%
Insurance	82,000		82,000	82,000	-	100%
License & Permit	189,280		189,280	189,280	-	100%
Operation Cost	400,000		400,000	40,000	360,000	10%
Capital expenditures	30,011,760		30,011,760	19,384,282	10,627,478	65%
<b>Total expenditure</b>	<b><u>35,400,000</u></b>		<b><u>35,400,000</u></b>	<b><u>23,930,228</u></b>		
<b>Surplus for the period</b>				<b>10,775,332</b>		

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XVIII. NOTES TO THE FINANCIAL STATEMENTS

**1. General Information**

Marsabit water & sewerage Co. Ltd is established by and derives its authority and accountability from Company's Act cap 486. The company is wholly owned by the Marsabit County Government and is domiciled in Kenya.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at revalued 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 financial statements have been prepared in accordance with the PFM Act, the water act 2016, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

**iii) Early adoption of standards**

The company did not early – adopt any new or amended standards in year 2018/2019

**4. Summary of Significant Accounting Policies**

The principal 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 company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of

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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 recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognized as it accrues.

**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 or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c) Property, plant and equipment**

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

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

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

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the revalued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings	2.5%
Plant and machinery	12.5%

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Motor vehicles, including motor cycles	25%
Computers and printers	30%
Office furniture and fittings	12.5%
Sewer Extension	12.5%
Water Extension	12.5%
Tools and equipment	12.5%
Water meters and equipment	12.5%

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

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

**e) Intangible assets**

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

**f) Amortization and impairment of intangible assets**

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

**g) Investment property**

Investment property, 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.

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**h) Right of Use Asset**

The right of use assets comprises 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 company 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 company 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 consolidated 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 noncurrent assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**k) Unquoted investments**

Unquoted investments stated at cost under noncurrent 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. Costs 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.

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**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.

**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 Company 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.

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.

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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 reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

**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 is 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 the Central Bank of Kenya and 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**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

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amortized cost using the effective interest rate method. Amortized cost is calculated by taking into

Account any issue cost and any discount or premium on settlement. Finance charge including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The company operates a defined contribution scheme for all fulltime employees from July 1, 2007. The scheme is administered by an inhouse team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time. **u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

**w) Budget information**

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



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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.

**x) 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.

**y) Comparative figures**

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

**z) 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, 2019.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**a) Estimates and assumptions**

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

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**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

**c) Provisions**

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

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

**6. Operating Revenue**

Description	2018-2019	2017-2018
	Kshs	Kshs
Water sales	1,881,810	
<b>Total</b>	<b>1,881,810</b>	

*The operating revenue is the income generated from water sales to the connected customers*

**7. Grants from National Government**

Description	2018-2019	2017-2018
	Kshs	Kshs
Capital grants from European union for the following projects		
(i) Kargi	11,055,420	
(ii) Bathanot	7,609,740	
(iii) Mude	9,158,920	
(iv) Qachacha	4,999,670	
<b>Total</b>	<b><u>32,823,750</u></b>	

*Capital grants from European Union for the following projects recognized in the statement of change in equity as capital grants*

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**8. Staff Costs**

Description	2018-2019	2017-2018
	Kshs	Kshs
Gross Salary and Allowances		
Casual workers' Wages		
<b>Total</b>		

*All the personnel who work for Marsabit Water & Sewage are employees of the County Government of Marsabit*

**9. General and Operations Expenses**

Description	2018-2019	2017-2018
	Kshs	Kshs
Subsistence Allowances	635,676	
Supervision	915,638	
Transport	1,201,438	
Bank Charges	399,390	
Hall Hire	31,216	
Office Stationery	53,274	
Advert	184,192	
Branding & Signages	362,352	
Insurance	82,000	
License & Permit	189,280	
Operation Cost	40,000	
<b>Total</b>	<b><u>4,094,456</u></b>	

*The general and operational cost includes the recurrent expenditures for management of the 4 development projects*

**10. Board Expenses**

Description	2018-2019	2017-2018
	Kshs	Kshs
Chairman Honoraria		
Other allowances		
<b>Total Board Expenses</b>		

*The directors were appointed in the 2017 2018 though they have not been inaugurated*

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**11. Operation, Maintenance and distribution costs**

Description	2018-2019	2017-2018
	Kshs	Kshs
Motor Vehicle running expenses & water infrastructures maintenance	451,490	
<b>Total</b>	<b>451,490</b>	

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**12. Property, Plant and Equipment**

2018-2019	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost</b>									
At July 1, 2018									
Additions								19,384,281.80	19,384,281.80
Transfers									
Disposals									
<b>At June 30, 2019</b>								<b>19,384,281.80</b>	<b>19,384,281.80</b>
<b>Depreciation</b>									
At July 1, 2018									
Charge for the Year									
Impairment Loss									
Eliminated on Disposal									
<b>At June 30, 2018</b>									
<b>Net Book Value at June 30, 2019</b>								<b><u>19,384,281.80</u></b>	<b><u>19,384,281.80</u></b>

*The Marsabit Water & Sewerage Company Ltd fixed asset are wholly owned and managed by Marsabit County Government*

*[Capital Work in Progress relates to the ongoing construction of Water & Sewer Infrastructure at Mude, Kargi, Qachacha and Bathanot]*

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**Valuation**

Land and buildings and other company properties are owned by Marsabit County Government

**12 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land			
Buildings			
Plant and machinery			
Motor vehicles, including motorcycles			
Computers and related equipment			
Office equipment, furniture, and fittings			
Capital work in progress	19,384,281.80		19,384,281.80
<b>Total assets</b>	<b><u>19,384,281.80</u></b>		<b><u>19,384,281.80</u></b>

**13. Bank and Cash Balances**

Description	2018-2019	2017-2018
	Kshs	Kshs
Cash at bank	10,775,332.20	
<b>Total cash &amp; cash equivalent</b>	<b><u>10,775,332.20</u></b>	

**Detailed analysis of the cash and cash equivalents**

Financial institution	Account number	2018-2019	2017-2018
		Kshs	Kshs
<b>a) Current account</b>			
KCB current account		708,994.00	
KCB Qachacha Project		128,618.00	
KCB Kergi Project		6,859,074.00	
KCB Bathanot project		1,357,624.60	
KCB Mude Project		1,721,021.60	
<b>Grand total</b>		<b><u>10,775,332.20</u></b>	

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**14. Retained Earnings**

The retained earnings represent the accumulated profit(loss)

Description	2018-2019	2017-2018
	Kshs	Kshs
Bal b/f July, 1	-	
Transfer from the profit & loss	(2,664,136)	
Bal as at June, 30th	<u>(2,664,136)</u>	

**15. Capital & development fund**

The capital & development fund represents the Development grants for the capital expenditure from the European union.

Description	2018-2019	2017-2018
	Kshs	Kshs
Bal b/f July, 1	-	
Receipts during the year	32,823,750	
Bal as at June, 30th	<u>32,823,750</u>	

**16. Related Party Disclosures County Government of Marsabit**

The County Government of Marsabit is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Marsabit 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 Marsabit
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Project financiers European Union

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**Transactions with related parties**

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	1,881,810	
<b>Total</b>	<b><u>1,881,810</u></b>	
<b>b) Purchases from related parties</b>		
Bank charges paid to Govt Commercial banks	399,390	
Marsabit National Park	189,280	
<b>Total</b>	<b><u>588,670</u></b>	
<b>c) Grants from the Government &amp; development partners</b>		
Grants from European union	32,823,750	
<b>Total</b>	<b><u>32,823,750</u></b>	

**17. 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**i. Credit risk**

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

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



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

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

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

**ii. Liquidity risk management**

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

**iii. Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department 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 today 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) 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.

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**i) Management of Interest Rate Risk**

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

**ii) iv. Capital Risk Management**

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

Description	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve		
Retained earnings	(2,664,136)	
Capital reserve	32,823,750	
	<b>30,159,614</b>	
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances	10,775,332.20	
Net debt/ (excess cash and cash equivalents)		
<b>Gearing</b>	<b>36%</b>	

**19. 18. Incorporation**

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

**20. Events After the Reporting Period**

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

**21. Currency**

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

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**XVIII. APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR  
RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

*The company was not last financial year for the 2017 2018 financial statement & report* **Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

**Name; Stephen Sora Katelo**

**Signature;**



**Date 6<sup>th</sup> March, 2023**

**Corporate Secretary/Secretary to the Board**

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY PROJECTS**

Projects implemented by the Company Funded by development partners. (European union)

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)
Kergi		EU				11,055,420
Bathanot		EU				7,609,740
Mude		EU				9,158,920
Qachacha		EU				4,999,670
<b>Total</b>						<b><u>32,823,750</u></b>

**Status of Projects completion**

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

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Kergi		3,345,300	-			EU
Bathanot		5,224,289.40				EU
Mude		6,584,692.40				EU
Qachacha		4,230,000				EU
		<b><u>19,384,281.80</u></b>				

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**APPENDIX III: INTER ENTITY CONFIRMATION LETTER**




**MARSABIT WATER  
AND SEWERAGE COMPANY**



P.O. Box 69 – 60300  
Marsabit, KENYA

The *European union wishes* to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2019 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 <sup>th</sup> June ,2019							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2019				Amount Received by MARWASCO (Kshs) as at 30 <sup>th</sup> June 2019 (E)	Differences (Kshs) (F)=(DE)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	Kergi		11,055,420		11,055,420		
	Bathanot		7,609,740		7,609,740		
	Mude		9,158,920		9,158,920		
	Qachacha		4,999,670		4,999,670		
	<b>Total</b>		<b><u>32,823,750</u></b>		<b><u>32,823,750</u></b>		
In confirm that the amounts shown above are correct as of the date indicated.							
<b>Head of Accountants Marwasco:</b>							
Name	Halkano Wako Tato		Sign			Date	6 <sup>th</sup> March, 2023

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**APPENDIX IV: REPORTING OF CLIMATE RELEVANT EXPENDITURES**



**MARSABIT WATER  
AND SEWERAGE COMPANY**



P.O. Box 69 – 60300  
Marsabit, KENYA

Telephone: (254) 25689803  
Email: marwascowater@yahoo.com  
Website: www.marwasco.or.ke

**Hon. Stephen Sora Katelo**

Name and contact details of contact person **Hon. Stephen Sora Katelo**

				Q1	Q2	Q3	Q4		

Project Name	Project Description	Project Objectives	Project Activities		Source Of Funds	Implementing Partners
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**APPENDIX V: Disaster Expenditure Reporting Template**

Date: 30<sup>th</sup> June, 2019

Entity: Marsabit water & sewerage company ltd

<b>Period to which this report refers (FY)</b>	Year 2018-2019			Quarter 1 4		
<b>Name of Reporting Officer</b>						
<b>Contact details of the reporting officer:</b>	<b>Email</b>			<b>Telephone</b>		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

*(Attach forms from each transferring Government entity.)*

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APPENDIX VI: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Devt/Others	Total Amount KES	Where Recorded/recognized				Total Transfers during the Year
				Capital Fund	Deferred Income	Receivables	Others; be specific	
WSTF – EU project		Development	11,055,420	11,055,420				11,055,420
WSTF – EU project		Development	7,609,740	7,609,740				7,609,740
WSTF – EU project		Development	9,158,920	9,158,920				9,158,920
WSTF – EU project		Development	4,999,670	4,999,670				4,999,670
<b>Total</b>			<b><u>32,823,750</u></b>	<b><u>32,823,750</u></b>				<b><u>32,823,750</u></b>