

REPUBLIC OF KENYA



*Enhancing Accountability*

REPORT

OF

THE AUDITOR-GENERAL

ON

TELWAK WATER AND SEWERAGE COMPANY  
LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2024





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**ELWAK WATER AND SEWERAGE  
COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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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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**1. Acronyms and Glossary of Terms**

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

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board

## **2. Key Entity Information**

### **Background information**

Elwak Water and sewerage company Ltd was established by the Companies Act of Parliament on 23<sup>rd</sup> of April two thousand and twenty (2020). At County level, the 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. The Company is domiciled in Kenya and it's based in Elwak Municipality, Mandera County.

### **Principal Activities**

The principal activity of the Company is to provide and ensure a constant supply of clean water for commercial, industrial and domestic purposes within the jurisdiction of Elwak Municipality. The company is to be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Elwak Municipality.

### **Directors**

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

1. Mrs. Mariam Maalim Isaackow- Chair Person
2. Mr Issack Hassan Adan - Ag. Managing Director
3. Mr Mohamed Adan Issack -Board Member
4. Mr Mohamed Rashid Haji -Board Member
5. Mr Abdikadir Mohamed -Board Member
6. Mr Ahmed Adan -Board Member
7. Mrs Nasra Adan Maalim -Board Member

### **Registered Office**

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

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**Corporate Headquarters**

P.O. Box 61-70301

Elwak Building, Next to Elwak Municipality Head Quarter

Elwak, Mandera County

KENYA

**Corporate Contacts**

Telephone: (254) 726296944

E-mail: [info@elwasco.co.ke](mailto:info@elwasco.co.ke)

Website: [www.elwasco.co.ke](http://www.elwasco.co.ke)

**Corporate Bankers**

Equity Bank Limited Mandera Branch

P.O. Box 60000

Mandera, Kenya

**Independent Auditor**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

**Principal Legal Advisers**

The Attorney General

State Law Office, Harambee Avenue





P.O. Box 40112

City Square 00200

Nairobi, Kenya

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**3. The Board of Directors**

Directors	Details
 <p>Miss. Mariam M. Issackow - <u>Ag. Chairperson</u></p>	<p>An Educationist with over 22 years of experience. Graduated with Bachelors in Education- Secondary Option-Mount Kenya University. She represents National Government education sector</p>
 <p>Mr. Abdikadir Mohamed Tache - Board Member</p>	<p>He is a dynamic accounting and managerial professional with vast experience and expertise of over 20 years in leadership and navigating complex financial landscapes. He holds Global Executive Masters Business Administration (GeMBA), BSC- Accounting USIU-Africa (2008) and Member of ACCA-UK. He is the current County Chief Officer-Finance.</p>
 <p>Mr. Mohamedrashid H. Ahmed -Board Member</p>	<p>An active and successful entrepreneur with over 15 years of working experience in business administration. He Holds a Diploma in Business Administration (Higher Institute of Development Studies). He represents the business community of Mandera South.</p>
 <p>Mr. Mohamed Adan Issack -Board Member</p>	<p>He is a dedicated agriculturalist and managerial professional with over 20 years of experience in developing innovative strategies to enhance yields, quality, and resilience against environmental challenges. He holds a Master's degree in Crop Improvement from Nottingham University, UK. Mohamed represents Mandera South Professionals Association</p>

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Mrs. Nasra Adan Maalim - Board Member

She is an Educationist with over 10 years of experience in education and societal development, community-based organization activities. She holds a Bachelor of Education Arts Education degree. She represents women and vulnerable groups in Mandera South



Mr. Ahmed Abdullahi Adan - Board Member

He is an experienced water engineer with over 25 years in the field. He holds a Bachelor's degree in Civil Engineering and a Bachelor's in Environmental Management. He is highly skilled in designing sustainable water systems, managing projects, and implementing innovative solutions for water resource management. Committed to enhancing environmental sustainability and ensuring efficient water use for communities. He represents Mandera County Water Department





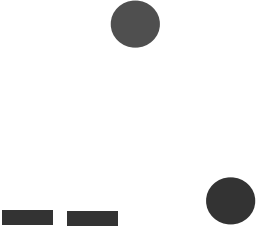
Mr. Issack Hassan Adan - Ag. CEO

An enthusiast administrator with over 15 years of experience, holding a Master's in Governance and Ethics (Mount Kenya university) and a Bachelor's in Education. Proven track record as head teacher, Ward Administrator and Deputy CEO, skilled in policy implementation, team leadership, and community engagement. Committed to promoting ethical governance and enhancing educational initiatives for sustainable development.

4. Key Management Team

Managers	Details
 <p><b>Mr. Issack Hassan Adan</b></p>	<p>An enthusiast administrator with over 15 years of experience, holding a Master's in Governance and Ethics (Mount Kenya university) and a Bachelor's in Education. Proven track record as head teacher, Ward Administrator and Deputy CEO, skilled in policy implementation, team leadership, and community engagement. Committed to promoting ethical governance and enhancing educational initiatives for sustainable development.</p> <p><b>He is the Acting CEO.</b></p>
 <p><b>Mr. Alinoor Mohamed</b></p>	<p>Experienced HR Manager with a Bachelor's in Business Administration from Kampala University. Skilled in talent acquisition, employee relations, and performance management, dedicated to fostering a positive workplace culture and organizational growth.</p> <p><b>He is the human Resources Manager.</b></p>
 <p><b>Mr. Issa Hussein Abdirahman</b></p>	<p>He is a hardworking water engineering professional with Diploma In Water Engineering, KEWI. He has gained sound skills in designing sustainable water systems, managing projects, and implementing innovative solutions for water resource management. He is a member of the Institute of Engineering Technologists &amp; Technicians-Kenya (IETTK)-</p> <p><b>He is the Acting. Technical Services Manager</b></p>

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 <p><b>CPA Amir Hussein Adan</b></p>	<p>He is a passionate accountant professional with expertise in financial strategy, budgeting, and team leadership, driving organizational growth and operational efficiency through sound fiscal management. He holds a Bachelor of Arts degree from the University of Nairobi and a Master of Business Administration from Kenyatta University. Amir is also a Certified Public Accountant of Kenya and a member of ICPAK with over fifteen years of experience in finance, who began his career at Equity Bank as the Head of Commercial Agency.</p> <p><b>He is the Head of Finance and Administration</b></p>
 <p><b>Mr. Osman Ibrahim</b></p>	<p>He is a results-driven ICT professional with 9 years of experience in technology management and system implementation. He holds a Bachelor's degree in Computer Science from Umma University. He is skilled in end-user support, network administration, and team leadership. Committed to optimizing IT infrastructure and enhancing organizational efficiency.</p> <p><b>He is the JCT Manager</b></p>
 <p><b>Mr. Abdullahi maalim</b></p>	<p>He is a result-oriented supply chain professional with five years' experience. He holds a Bachelor of business management Degree (Mount Kenya University). He is a member of Kenya Institute of Supplies Management. He is skilled in strategic sourcing, vendor management and cost optimization for operational excellence</p> <p><b>He is the Acting Procurement Manager</b></p>

**Note:** The MD and the Company Secretary will feature both under the 'Board' and 'Management'.

**5. Chairman's Statement**

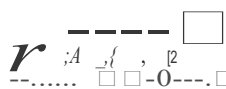
It is my pleasure to present the report for Elwak Water and Sewerage Company Ltd, outlining the key activities, successes, challenges, and future outlook over the past year.

Throughout the year, despite the dry conditions in the Elwak region, we made significant progress in expanding water access to underserved areas. We extended our pipeline network, providing clean water to over Sixty Household new households. Additionally, we focused on water conservation by implementing awareness campaigns and upgrading our systems, which resulted in a 45% reduction in water wastage. Our infrastructure was also modernized, ensuring that the water we deliver meets safety standards.

However, we faced several challenges. The persistent drought and naturally dry climate severely limited our water resources, forcing us to ration supply in certain areas. The cost of operations increased due to the need for advanced technologies and infrastructure, necessary for improving water distribution in this arid region. We also encountered delays in some projects as we addressed issues with aging pipelines that required urgent repairs.

Looking ahead, Elwak Water and Sewerage Company Ltd is committed to addressing these challenges. Our focus will be on diversifying water sources by investing in boreholes, rainwater harvesting, and exploring alternative technologies. We aim to enhance sustainability by promoting water conservation and improving efficiency across all levels of operation. Engaging with the community will remain a priority, ensuring fair water distribution and raising awareness about responsible water use.

In conclusion, while the past year presented difficulties, Elwak Water and Sewerage Company Ltd remains resilient. With the ongoing support of our dedicated staff and partners, we are confident in our ability to continue delivering reliable water services to the people of Elwak.

  
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**Mrs. Mariam Maalim Issackow**

**Chair of the Governing Body**

**07/08/2024**

**Elwak Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**6. Report of the Managing Director**

It is my privilege to provide a detailed account of Elwak Water and Sewerage Company's key activities, successes, challenges, and financial performance over the past year.

During the year, Elwak Water and Sewerage Company Ltd made significant progress in expanding access to water and improving our operations. We extended the pipeline network by 4 kilometres, bringing clean water to cover 80 additional households, particularly in underserved areas. In response to the region's dry conditions, we prioritized water conservation, reducing wastage by 50% through public awareness campaigns and technological improvements. We also upgraded our water treatment facilities, ensuring the water supplied meets national safety standards.

From a financial perspective, the company faced challenges due to the high cost of operations in such an arid region. However, we saw eight hundred eight increases in revenue, driven by new connections and an adjustment in service charges to sustain operations. The costs of maintaining and upgrading infrastructure, along with securing water during periods of drought, led to an increase in operational expenses by 60%. We were able to secure additional funding from our partnerships with the County Government and international organizations, which helped support key projects.

The harsh climate of Elwak posed several challenges throughout the year. Prolonged droughts led to water shortages, which forced us to implement rationing in some areas. Additionally, aging infrastructure required frequent repairs, slowing the pace of expansion and increasing maintenance costs. Rising operational costs, especially in sourcing alternative water supplies, also put financial pressure on the company.

Looking ahead, Elwak Water and Sewerage Company Ltd is focused on ensuring a sustainable water supply for the region. We plan to invest in alternative water sources like groundwater and rainwater harvesting to reduce our dependence on traditional, drought-prone sources. We will continue upgrading our infrastructure to minimize water loss and improve delivery efficiency. Strengthening financial sustainability remains a priority.

In conclusion, despite the challenges of operating in a dry region, Elwak Water and Sewerage Company Ltd has made significant advancements in expanding water access and improving service delivery. I want to thank our team, partners, and the community for their ongoing support, which has been critical in our progress. With these collective efforts, I am confident that we are well-positioned to continue meeting the water needs of Elwak and ensuring a sustainable future.

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**Mr. Issack Hassan Adan**  
**Ag: Managing Director**  
**07/08/2024**

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

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

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

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

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

2020/21 - 2024/25	Estimated Implementation during	Overall Remarks
Customer Focus and Stakeholder Engagement	72%	Stakeholders were engaged in discussions on El Nifio preparedness and mitigation, as Elwak Municipality is prone to flooding and lacks an adequate drainage system
Governance and Institutional Capacity Development	66%	This performance was largely Affected by financial constraints
Information & Communication Technology (ICT) and other Support	45%	-Due to reduction of revenue as result of El-nino
Financial Stewardship	74%	-Effects of El-nino, which hugely affected revenue collection.
1 Implementation Estimates	55%	Overall, the Strategic plan implementation during the reporting period was affected by Elnino especially due to the low revenue collection.

The company's expenditure has mainly been on Repair, Maintenance and operation costs. The Company is running on deficit as our Revenue systems are not yet at its peak. ELWASCO is sorting

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out Grants from the WSTF and other such entities. The County Government Grant is solely not enough. The Company is looking to improve its revenues gradually.

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**MR. ISSACK HASSAN ADAN**  
**AG.CEO**  
**Date 07/08/2024**

## **8. Corporate Governance Statement**

Directors at Elwak Water and Sewerage Company Ltd are appointed through a formal nomination process, followed by approval at the Annual General Meeting (AGM). The removal of directors is conducted in line with company bylaws and may occur based on performance reviews or shareholder resolutions, ensuring transparency and adherence to regulatory guidelines.

The Board of Directors is responsible for providing strategic direction and oversight to the company. This includes setting corporate policies, approving budgets, ensuring compliance with legal and regulatory standards, and overseeing management performance. The Board also evaluates key investments and ensures that the company's operations align with its mission and values.

Elwak Water and Sewerage Company Ltd operates under a formal Board Charter that outlines the roles, responsibilities, and duties of the Board. The charter ensures accountability, transparency, and ethical governance, providing clear guidelines for decision-making and the ethical standards that the Board must uphold.

The Board held seven meetings over the past year to discuss strategic and operational matters. Board members had an average attendance rate of 98% with valid reasons provided for any absences. Attendance is monitored to ensure full participation and compliance with the Board's attendance policy.

The company has a comprehensive succession plan to ensure leadership continuity. This plan identifies potential future leaders within the organization and provides them with training and mentorship. The Board regularly reviews and updates the plan to align with the company's long-term strategic goals.

Newly appointed Board members undergo a structured induction program to familiarize them with the company's operations and governance framework. Ongoing training is provided to all Board members to keep them informed of regulatory updates, industry trends, and best practices in corporate governance.

The performance of the Board and its individual members is evaluated annually through a formal review process. This evaluation assesses the effectiveness of the Board's decision-making, oversight responsibilities, and overall contribution to the company's objectives. Feedback from this review is used to enhance the Board's performance.

The company enforces a strict conflict of interest policy, requiring Board members to declare any potential conflicts at the beginning of each meeting. In cases where conflicts arise, the affected member is required to recuse themselves from the relevant discussions and decisions to maintain objectivity and fairness.

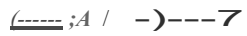

Board members are compensated according to the company's remuneration policy, which is designed to attract and retain qualified individuals. Compensation is aligned with the company's financial performance and is reviewed periodically to ensure it remains competitive and fair.

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The Board operates under a code of ethics that emphasizes transparency, accountability, and integrity. Members are expected to conduct themselves professionally and uphold the highest ethical standards in their duties and interactions with stakeholders.

An independent governance audit was conducted during the year to assess the effectiveness of the Board's governance practices. The audit confirmed that the Board is operating in compliance with regulatory standards and has strong governance structures **in** place. Recommendations from the audit are being implemented to further strengthen the governance framework.

**Mrs. Mariam M Issackow**  
**Chair of the Governing Body**  
**7<sup>th</sup> August 2024**

## **9. Management Discussion and Analysis**

For the past three to five years, Elwak Water has demonstrated steady operational and financial performance. Revenue has shown consistent growth, with a year-over-year increase in water sales driven by expanded infrastructure and improved service delivery. Despite rising operational costs, the company has maintained healthy profit margins by optimizing processes and reducing waste. Key projects over this period include the construction of new water treatment plants and the expansion of distribution networks, which have improved access to clean water for underserved areas.

The company has remained compliant with all statutory requirements, including environmental regulations and water quality standards, ensuring the continued trust of both regulators and customers. However, the organization faces significant risks, particularly related to climate change, which could impact water availability in the future. Elwak Water has implemented mitigation strategies, such as diversifying water sources and investing in conservation technologies, to address these challenges.

There are no significant arrears in statutory or financial obligations, and all debts have been serviced on time. A review of the broader economy highlights moderate growth, though inflation and rising energy costs have exerted pressure on operational expenses. Despite these challenges, the water sector remains resilient, with increased demand for clean water driven by population growth and urbanization.

Looking forward, Elwak Water plans to invest in advanced water recycling technologies and further expand its distribution networks to meet the growing demand. These initiatives are expected to drive future growth and enhance the company's long-term sustainability.

## **10. Environmental and Sustainability Reporting**

Elwak Water Services Company places sustainability as a top strategic priority, led by management, particularly the Accounting Officer. The company integrates sustainability into its mission to deliver safe water services, focusing on environmental conservation, economic resilience, and social responsibility. Political factors like Kenya's Vision 2030 and devolution, along with economic challenges such as inflation and limited government funding, shape the company's sustainability efforts. Despite these challenges, growth in Northern Kenya offers opportunities for expanding services.

Elwak Water Services aligns its strategies with international frameworks such as the United Nations Sustainable Development Goals (SDGs) and incorporates global best practices, including the water-energy nexus, smart water management, and sustainable procurement. The company has partnered with organizations like the African Water Association (AfWA) to enhance climate resilience and resource management.

Key achievements include reducing water losses by 15%, expanding access to an additional 50,000 residents, adopting solar energy for water pumping, and engaging communities on water

conservation. However, the company faces funding shortages for major projects, delays in climate resilience efforts, and challenges in implementing smart technology on a larger scale.

In conclusion, Elwak Water Services is committed to balancing essential water services with environmental and economic sustainability. While progress has been made, securing funding and integrating advanced technologies remain critical areas for improvement. The company continues to align with global best practices to ensure long-term sustainability.

***i) Sustainability strategy and profile***

The Company's sustainability strategy is led by top management, with the Accounting Officer emphasizing the importance of incorporating sustainability into all operations. The strategy is built on three key pillars: environmental conservation, economic resilience, and social responsibility, all of which ensure the company can provide long-term water services to the community. Political trends, such as Kenya's Vision 2030 and devolution, shape the company's sustainability priorities, while macroeconomic factors like inflation and limited public financing affect operational costs and funding for large projects.

In response, the company adopts international best practices, aligning with the United Nations Sustainable Development Goals (SDGs) and engaging in global partnerships to improve water management and climate resilience. Elwak Water Services has made notable achievements, including reducing water losses, expanding access to clean water, and incorporating renewable energy in its operations. However, it faces challenges such as inadequate funding for infrastructure upgrades, delays in climate resilience projects, and difficulties in fully integrating smart technologies.

Despite these hurdles, the company remains committed to sustainability and continues to adapt its strategy to meet both national and international sustainability standards. By addressing key macroeconomic and political trends and leveraging global best practices, Elwak Water Services aims to secure its future as a reliable and sustainable water provider for the community.

***ii) Environmental performance***

The Company follows a comprehensive environmental policy aimed at minimizing its ecological footprint. This policy focuses on sustainable water resource management, energy efficiency, waste reduction, and biodiversity conservation. Evidence of the policy can be found in the company's public reports and adherence to national environmental regulations, including Kenya's Environmental Management and Coordination Act (EMCA) and other guidelines from the National Environment Management Authority (NEMA).

Successes of this policy include the reduction of water losses, the adoption of solar-powered water pumping systems, and community engagement in environmental education. These

initiatives have helped minimize energy use and improve local resource conservation. However, there are shortcomings, such as insufficient funding for large-scale waste management systems and delays in implementing biodiversity protection projects.

To manage biodiversity, the company works on protecting water sources, restoring local ecosystems, and minimizing disruption to wildlife habitats during infrastructure development. Waste management efforts include initiatives to reduce, recycle, and properly dispose of waste generated by the company's operations, especially in water treatment processes.

Additionally, the company is focused on reducing the environmental impact of its products by ensuring that water is delivered in an environmentally responsible manner. This includes using energy-efficient systems and reducing pollutants in treated water to preserve the natural environment.

**iii) Employee welfare**

The Company follows a structured hiring policy that emphasizes fairness and inclusivity, ensuring that gender balance is considered during recruitment. The company engages stakeholders in its hiring processes to meet community expectations and industry standards. These policies are reviewed regularly to adapt to evolving workforce needs and improve recruitment practices.

To enhance employee skills and support career development, the company invests in continuous training programs, offering opportunities for staff to improve their competencies. Career management efforts include mentorship programs, clear career progression paths, and periodic employee appraisals. The appraisal system is linked to performance-based rewards, with incentives such as bonuses, promotions, and recognition programs to motivate staff.

Elwak Water Services Company also prioritizes workplace safety, adhering to the Occupational Safety and Health Act of 2007. This includes implementing safety protocols, conducting regular risk assessments, and ensuring that employees are trained on safety measures to maintain compliance and promote a secure work environment.

**iv) Market place practices-**

The organisation has outlined its efforts to:

**a) Responsible competition practice.**

The Company promotes responsible competition by adhering to strict ethical guidelines. The company has a zero-tolerance policy for corruption, ensuring transparency in all operations and actively discouraging unethical behaviour. It maintains responsible

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political involvement, avoiding any partisan bias while working within legal frameworks to engage with government stakeholders.

The company fosters fair competition by respecting market regulations and ensuring that its business practices do not unfairly disadvantage competitors. Additionally, Elwak Water Services maintains professional respect for its competitors, focusing on improving service delivery and innovation rather than undermining others in the industry.

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

The Company maintains responsible supply chain practices by upholding strong ethical standards in its business relationships. The company ensures fair treatment of suppliers by honouring contracts, adhering to agreed-upon terms, and respecting timely payment practices. By fostering transparent communication and building trust, Elwak Water Services supports long-term partnerships with suppliers while promoting sustainability and integrity throughout its supply chain operations.

#### **c) Responsible marketing and advertisement**

The Company is committed to ethical marketing practices by ensuring that all advertising and promotional activities are truthful, transparent, and not misleading. The company adheres to standards that prevent exaggeration of claims and focuses on providing accurate information about its services. Additionally, it avoids exploiting sensitive issues and ensures that marketing strategies are respectful and aligned with regulatory guidelines.

#### **d) Product stewardship**

The Company is dedicated to safeguarding consumer rights and interests through robust product stewardship. The company ensures that its water services meet high quality and safety standards, providing consumers with reliable and safe access to clean water. It actively addresses customer concerns and feedback, implementing measures to resolve issues promptly and transparently. Additionally, Elwak Water Services educates consumers about the proper use and benefits of its services to enhance overall satisfaction and trust.

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

The Company is actively involved in Corporate Social Responsibility (CSR) initiatives, dedicating resources to various community engagement activities throughout the year. The company's CSR efforts include charitable donations in both cash and materials, such as funding

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local development projects and providing essential supplies to underserved communities. Corporate Social Investment activities focus on enhancing local infrastructure and supporting educational and health programs. The impact of these initiatives is evident in the improved quality of life and increased access to resources for the communities served, demonstrating the company's commitment to positive social contributions.

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**11. Report Of the Directors**

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

**i) Principal activities**

The principal activities of the Company is to provide and distribute a constant supply of water for commercial, industrial and domestic purposes within the jurisdiction of Elwak Municipality.

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

**ii) Results**

The results of the company for the year ended June 30, 2024 are set out on page 1

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

Total revenue for the year (all sources)	<b>44,681,240</b>
Total expenditure expenses	<b><u>(73,239,648)</u></b>
Net profit/loss for the period	<b><u>(28,558,408)</u></b>

**iii) Dividends**

The company has not declared dividends for the year ended 30<sup>th</sup> June 2024.

**iv) Directors**

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

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**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 to carry out the audit of the Company for the year/period ended June 30, 2024, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

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**Mr. Issack Hassan Adan**  
**Ag. Managing Director**  
**Date: 7<sup>th</sup> August 2024**

## **12. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company 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 June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015.

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2024, 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, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern.

Nothing has come to the attention of the Directors to indicate that the Company will remain a going concern for at least the next twelve months from the date of this statement.

**Elwak Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**  
**Statement of Directors' Responsibilities (Continued)**

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**Approval of the financial statements**

The company financial statements were approved by the Board on 7<sup>th</sup> August 2024 and signed on its behalf by:

.....  
.....

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**Name**

**Mr Mariam Maalim Issackow**

**Chairperson of the Board**

**Name**

**Mr Issack Hassan Adan**

**Ag. Managing Director**





*Enhancing Accountability*

## **REPORT OF THE AUDITOR-GENERAL ON ELWAK WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Elwak Water and Sewerage Company Limited set out on pages 1 to 39 which comprise of the statement of financial

position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Elwak Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the County Government Act, 2012 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Inaccuracies in the Financial Statements**

#### **1.1 Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects actual total recurrent expenditure of Kshs.53,269, 164 and actual capital expenditure of Kshs.28,705,000 all totalling to actual expenditure of Kshs.81,974, 164. However, the statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.73,369,839, hence resulting in the unreconciled variance of Kshs.8,604,325.

In the circumstances, the accuracy of amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.

### **2.0 Water Sales Revenue**

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.3,336,240 as disclosed in Note 6 to the financial statements. The revenue was in respect of water sales during the year under review. However, review of revenue records and interviews with Management revealed that the Company had no data on the volume of water supplied to customers during the year under review. The explanations from the Management were that there were no master meters to record the volume of water released to the pipeline for distribution. Similarly, customers from two (2) consumer regions out of three (3) regions were not metered and thus the volume of water consumed by customers could not be established.

In the circumstances, the accuracy and completeness of water operating revenue of Kshs.3,336,240 could not be confirmed.

### **3.0 Failure to Disclose In-Kind Contribution from the County Executive**

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.44,681,240. However, the amount did not include in-kind contribution by the County Executive of Mandera in respect of salaries for permanent employees paid by the County Executive.

Further, the statement of profit or loss and other comprehensive income reflects staff cost of Kshs.20,192,700 in respect of casual workers' wages, medical insurance schemes and other allowances. However, the expenditure did not include salaries for permanent employees paid by the County Executive of Mandera.

In the circumstances, accuracy of total revenue of Kshs.44,681,240 and staff cost of Kshs.20,192,700 reflected in the statement of profit or loss and other comprehensive income could not be confirmed.

### **3.1 Unsupported Decrease in Trade and Other Payables**

The statement of financial position reflects a balance of Kshs.10,445,603 in respect of trade and other payables as disclosed in Note 21 to the financial statements. However, Management did not provide a payables ledger to support the movement from Kshs.19,572,518 in the previous financial year to Kshs.10,445,603 in the current financial year.

In the circumstance, the accuracy of the trade and other payables balance of Kshs.10,445,603 could not be confirmed.

### **4.0 Discrepancies in the Ordinary Share Capital**

The statement of financial position reflects a balance of Kshs.100,000 in respect of ordinary share capital as disclosed in Note 17 to the financial statements. Review of the Company's records revealed that ordinary share capital comprised of 100 shares of Kshs.100 translating to share capital of Kshs.10,000 resulting in a variance of Kshs.90,000.

In addition, review of the CR12 form and the Company's Memorandum of Association revealed discrepancies in the actual shareholding. The CR12 indicated three (3) individuals holding a total of six hundred (600) shares, with each individual owning two hundred (200) shares translating to share capital of Kshs.60,000 resulting in a variance of Kshs.40,000.

Further, the Company's ownership structure as reported, indicated that the ordinary shares were held by individuals. This was contrary to Paragraph 3.3.1(4) of the Water

Service Regulatory Board Guidelines, 2018 which requires county government to hold all the shares in trust for the people of the County and the other shareholders who hold the shares in trust and not in their personal capacity are the Office of CECM in charge of Finance, the Office of the CECM in charge of water and the County Secretary who shall hold one share each.

In the circumstances, the accuracy and validity of share capital of Kshs.100,000 could not be confirmed.

## **5.0 Undisclosed Material Uncertainty Relating to Going Concern**

The statement of financial position reflects current assets of Kshs.2,602,637 against total current liabilities of Kshs.10,445,603 resulting in negative working capital of Kshs.7,842,966. This indicates existence of material uncertainty on the Company's going concern. The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance were not disclosed in the financial statements.

Under the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors and County Government of Mandera.

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

## **Emphasis of Matter**

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the other information set out on page iii to **xxiii** which comprise of Key Entity Information, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the

Directors and Statement of Directors' Responsibilities. The other information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

### **Inadequate Disclosure of Performance Against Predetermined Objectives**

Review of the statement of performance against predetermined objectives revealed significant gaps in compliance with the reporting template. The statement did not indicate key sections such as; Strategic Pillars, Objectives, Key Performance Indicators, Activities and Objectives in a format prescribed by financial reporting templates for water companies.

The absence of this critical information indicates that the company did not conform to the requirements outlined in the reporting template, thereby undermining the transparency, accountability and comprehensiveness of the report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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.

### **1.0 Non-Compliance with Water Service Regulatory Board Guidelines on Employee Cost**

Review of records revealed that the Company reported personnel expenditure of Kshs.20,192,700 against total operating and maintenance costs of Kshs.36,710,464 for the year ended 30 June, 2024. Employees' costs therefore accounted for 55% of the operating and maintenance costs, which are significantly higher than the expected threshold for commercial viability for medium companies of 40%. This was contrary to requirement of Section 3.9(10) of the Water Services Regulatory Board (WASREB) Guidelines, 2018 which provides that personnel cost as share of operations and maintenance cost for medium companies shall be contained below 40%.

In the circumstances, Management was in breach of the Water Services Regulatory Board Guidelines.

## **2.0 Provision of Water Services Without a License**

Records provided for audit review revealed that the Company operated without a license from the Water Services Regulatory Board (WASREB) contrary to Section 85(1) of Water Act, 2016 which requires that for any company providing water services should obtain a licence from the Water Services Regulatory Board. Management did not provide a satisfactory reason for the failure to obtain a license as required.

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

## **3.0 Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.3,336,240 as disclosed in Note 6 to the financial statements. It was, however, noted that the Company did not have data on the volume of water distributed from the intakes since master meters were not installed. Similarly, most customers are not metered and thus volume of water consumed by customers could not be established. As a result, the Company could not establish the volume of water produced and volume billed to customers and if there were losses in form of Non-Revenue Water.

Due to inability to establish level of non-revenue water the operational efficiency of the Company could not be confirmed.

## **4.0 Engagement of Casual Workers for a Prolonged Duration**

The statement of statement of profit or loss and other comprehensive income reflects staff costs of Kshs.20,192,700 as disclosed under Note 9 to the financial statements which includes expenditure of Kshs.17,777,280 relating to casual workers' wages. Review of casual worker's payrolls revealed that there were seventy-three (73) casuals that were engaged for more than 3 continuous months. This was contrary to Section 37(1)(a) and (b) of the Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the 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 governance were not effective.

### **Basis for Conclusion**

#### **Lack of Internal Audit Committee and Internal Audit Unit**

Review of the operations of the Company revealed that the Company did not have an internal audit unit and internal audit committee in place contrary to Regulation 155(2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the creation of internal audit unit to promote independence and to ensure broad internal audit coverage and adequate consideration of audit reports.

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

1. 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. The information given in the Directors' report on pages xx is consistent with the financial statements and
- iii. The auditable part of the Directors' remuneration report on pages xx has been properly prepared in accordance with the Companies Act, 2015.

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

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement,

whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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



**FCP** for **GBS**  
**AUDITOR-GENERAL**

**Nairobi**

**09 December, 2024**



Elwak Water and Sewerage Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2024

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

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	3,336,240	1,000,023
Grants Income	7	41,345,000	85,240,186
In kind contributions	8	0	26,380,200
<b>Total Revenue</b>		<b><u>44,681,240</u></b>	<b><u>112,620,409</u></b>
<b>Expenses</b>			
Staff Costs	9	20,192,700	40,285,550
General and Operations expenses	10	36,710,464	61,511,154
Board Expenses	11	700,000	0
Maintenance Expenses	12	4,933,000	194,680
Depreciation and Amortization expenses	13	10,703,484	8,991,781
<b>Total Expenses</b>		<b><u>73,239,648</u></b>	<b><u>110,983,165</u></b>
<b>Profit/(Loss) Before Taxation</b>		<b><u>(28,558,408)</u></b>	<b><u>1,637,244</u></b>
<b>Income Tax Expense/(Credit)</b>			
<b>Profit/(Loss) After Taxation</b>		<b><u>(28,558,408)</u></b>	<b><u>11146!071</u></b>
Earnings Per Share - Basic and Diluted			
Dividend per share			
--			
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>			
Surplus Or Deficit on Revaluation Of PPE			
Remeasurement Of Net Defined Benefit Liability			
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)			
<b>Total Comprehensive Income for The Year</b>		<b>(28,558,408)</b>	<b>),)461071</b>

Elwak Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position as at 30<sup>th</sup> June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	97,938,583	78,758,464
<b>Total non-current assets</b>		<b><u>97,938,583</u></b>	<b><u>78,758,464</u></b>
<b>Current assets</b>			
Trade and receivable	15	2,308,000	804,166
Bank and cash balances	16	294,637	11,290,646
<b>Total non-current assets</b>		<b><u>2,602,637</u></b>	<b><u>12,094,812</u></b>
<b>Total Assets</b>		<b>100,541,220</b>	<b>90,853,276</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	17	100,000	100,000
Capital Grant		126,131,731	78,758,464
Fair value adjustment reserve		0	
Retained earnings		(36,136,114)	(7,577,706)
<b>Capital and Reserves</b>		<b>90,095,617</b>	<b><u>71,280,758</u></b>
<b>Non-current liabilities</b>			
Trade and other payables	21	10,445,603	<u>19,572,518</u>
<b>Total non-current Liabilities</b>		<b><u>10,445,603</u></b>	<b><u>19,572,518</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>100,541,220</u></b>	<b><u>90,853,276</u></b>

The financial statements were approved by the Board on 7<sup>th</sup> August 2024 and signed on its behalf by:

.....

Name

Issack Hassan Adan

Ag. Managing Director

.....

Name

Amir Hussein Adan

Head of Finance

ICPAK M/No:33546

.....

Name

Mariam M Issackow

Chairperson of the Board

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

<b>As at July 1, 2022</b>		<b>100,000</b>	-	-	<b>(8,123,777)</b>	-	<b>47,766,496</b>	<b>39,142,719</b>
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	1,146,071	-	-	1,146,071
Capital/Development grants received during the year		-	-	-	-	-	78,758,464	78,758,464
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid - prior year		-	-	-	-	-	-	-
Interim dividends paid - current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>As at June 30, 2023</b>		<b>100,000</b>	-	-	<b>(7,577,706)</b>	-	<b>126,524,960</b>	<b>119,047,254</b>
<b>As at July 1, 2023</b>		<b>100,000</b>	-	-	<b>(7,577,706)</b>	-	<b>126,524,960</b>	<b>119,047,254</b>

**Elwak Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	(30,276,832)	-
Profit for the year		-	-	-	<b>(281,558,140}</b>	-	-	(28,558,408)
Capital/Development grants received during the year		-	-	-	-	-	29,883,603	29,883,603
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid - prior year		-	-	-	-	-	-	-
Interim dividends paid - current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>At June 30, 2024</b>		<b>100,000</b>	<b>-</b>	<b>-</b>	<b>(36,136,114)</b>	<b>-</b>	<b>126,131,731</b>	<b>120,372,449</b>

**Note:**

- I. Prior year adjustment was due to an over stated capital grants for previous year, which was noted in the previous financial audit. This was due to human error. The adjustment was done to rectify any further inconsistencies in the statement of changes in equity.

**Elwak Water and Sewerage Company Ltd and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
UPC VAT contribution- Operations account			1,261,908
In Kind Contribution from Mandera County Government			26,380,200
Operating Revenue		3,336,240	195,857
Non-Operating Revenue		0	
Grants		70,033,599	85,240,186
<b>Total Receipts</b>		<b>73,369,839</b>	<b>113,078,151</b>
<b>Payments</b>			
Staff Costs		20,192,700	40,285,550
General And Operation Expenses		36,710,464	33,838,594
Board Expenses		700,000	
Maintenance Expenses		4,933,000	194,680
<b>Total Payments</b>		<b>(62,536,164)</b>	<b>(74,318,824)</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	22	<b>10,833,675</b>	<b>38,759,327</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(21,746,835)	(27,672,560)
Proceeds From Disposal Of PPE		0	
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(21,746,835)</b>	<b>(27,672,560)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital			
Proceeds From Borrowings			
Repayment Of Borrowings			
Dividends Paid			
<b>Net Cash From/(Used In) Financing Activities</b>			
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(10,913,160)</b>	<b>11,086,767</b>
<b>Cash And Cash Equivalents at Beginning of Year</b>	16	<b>11,290,646</b>	<b>203,879</b>
<b>Prior Year adjustments (Balance Error)</b>		<b>(82,849)</b>	
<b>Cash And Cash Equivalents at End of the Year</b>	16	<b>294,637</b>	<b>11,290,646</b>

Note: The difference in the balance brought forward for this financial year and the closing balance of last financial year were due to the adjustment of errors in the last financial statement.

**Elwak Water and Sewerage Company Ltd and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2024**

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

<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Operating Revenue	3,336,240	-	3,336,240	1,928,240	1,408,000	57.8%
Non-Operating Revenue	-	-	-	-	-	-
Grants	70,033,599	-	70,033,599	69,133,599	900,000	96.9%
<b>Total Revenue</b>	<b>73,369,839</b>	<b>-</b>	<b>73,369,839</b>	<b>71,061,839</b>	<b>2,308,000</b>	<b>96.9%</b>
<b>Expenses</b>						
Staff Costs	20,337,837	-	20,337,837	20,192,700	145,137	99.3%
Board Expenses	700,000	-	700,000	700,000	0	100%
General and operations Expenses	31,300,900	-	31,300,900	27,443,464	3,857,436	87.7%
Maintenance	5,042,503	-	5,042,503	4,933,000	109,503	97.8%
<b>Total Recurrent Expenditure</b>	<b>57,381,240</b>	<b>-</b>	<b>57,381,240</b>	<b>53,269,164</b>	<b>4,112,076</b>	<b>92.8%</b>
<b>Profit or Loss</b>	<b>15,988,599</b>	<b>-</b>	<b>15,988,599</b>	<b>17,792,675</b>	<b>(1,804,076)</b>	
<b>Capital Expenditure</b>	<b>29,883,603</b>	<b>-</b>	<b>29,883,603</b>	<b>28,705,000</b>	<b>1,178,603</b>	<b>97%</b>
<b>Total Expenditure</b>	<b>73,369,839</b>	<b>-</b>	<b>73,369,839</b>	<b>73,369,839</b>	<b>0</b>	<b>100.0%</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

Elwak Water and Sewerage Company Ltd is established by companies act and derives its authority and accountability from water Act and other relevant acts. The Company is wholly owned by the Mandera County Government and is domiciled in Kenya. The Company's principal activity is provision of safe and sufficient water to the residents within Elwak Municipality and its environs. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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

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

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

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

**Elwak Water and Sewerage Company Ltd and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

*(The Directors have assessed the applicability of the standards and all relevant facts. Based on their assessment of the impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed accordingly)*

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

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

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

iii. *Early adoption of standards*

Elwak Water and Sewerage Company Ltd did not early- adopt any new or amended standards in year under review.

## Notes to the financial statements (continued)

### 4. Summary of Accounting Policies

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **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.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Leasehold Land		
Buildings and civil works	10	10%
Water and sewer Infrastructure works	10	10%
Plant and machinery	12.5	8.4%
Motor vehicles, including motorcycles	12	20%
Computers and related equipment	5	40%
Office equipment, furniture and fittings	5	20%

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

**e) Intangible assets**

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

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

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

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

**g) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**h) Right of Use Asset**

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

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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

**n) Taxation**

**i) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**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.

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

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

**p) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

**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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on 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 non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**t) Retirement benefit obligations**

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

**w) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record additional appropriations on the 2023-2024 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

**Elwak Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented in the financial statements.

**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, 2024.

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

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

### **a) Estimates and assumptions**

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

### **b) Useful lives and residual values**

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

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

### **c) Provisions**

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

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

Elwak Water and Sewerage Company Ltd  
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Notes to the financial statements (continues)

6. Operating Revenue

	2023-2024	2022-2023
	Kshs	Kshs
Water sales	3,336,240	1,000,023
<b>Total</b>	<b>3,336,240</b>	<b>1,000,023</b>

7. Grants Income

	2023-2024	2022-2023
	Kshs	Kshs
Donations from County Governments- Recun-ent	41,345,000	85,240,186
Donations from County Governments- Development	24,455,000	0
Capital Grant from WSTF	4,233,599	0
<b>Total</b>	<b>70,033,599</b>	<b>85,240,186</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022-2023 KShs
Mandera County Government	41,345,000	0	24,455,000	65,800,000	85,240,186
WSTF	0	0	4,233,599	4,233,599	0
<b>Total</b>	<b>41,345,000</b>	<b>0</b>	<b>28,688,599</b>	<b>70,033,599</b>	<b>85,240,186</b>

8. In -Kind contribution

Description	2023-2024	2022-2023
	Kshs	Kshs
In kind contribution from County Government of Mandera	0	26,380,200
<b>Total</b>	<b>0</b>	<b>26,380,200</b>

**Elwak Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continued)**

**9. Staff Costs**

Description	2023-2024	2022-2023
	Kshs	Kshs
Gross Salary and Allowances	0	26,380,200
Casual workers' Wages	17,777,280	13,734,350
Medical insurance schemes-NHIF	1,410,300	171,000
Other allowances-NSSF	1,005,120	0
<b>Total</b>	<b>20,192,700</b>	<b>40,285,550</b>
<b>The average number of employees during the year</b>		

**10. General and Operations Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Electricity	1,620,910	100,000
Fuel, oil, lubricants, and gases	13,374,000	2,500,000
Production supplies	0	27,672,560
Selling and distribution cost	0	16,773,986
Domestic Traveling and subsistence	1,047,210	0
Subscription to professional bodies	0	0
Foreign travel and accommodation	385,000	0
Water and sewerage	5,518,585	0
Telecommunication	0	400,000
Hire of Equipment and vehicles	5,600,000	750,000
Staff training and development	866,200	8,304,700
Board training	0	750,000
Office supplies	1,265,700	881,220.63
Bank Charges	30,859	16,779.37
Security services	4,272,000	1,000,000
Stakeholders' expenses	1,200,000	0
Hospitality expenses	750,000	1,100,000
Other operations	780,000	0
VAT Contribution for UPC project	0	1,261,908
<b>Total</b>	<b>36,710,464</b>	<b>61,511,154</b>

**Notes to the financial statements (continued)****11. Board Expenses**

Description	Period ended	2022-2024
	June 2024	
	Kshs	Kshs
Sitting allowances	700,000	0
Induction and Training	0	0
Travel and accommodation	0	0
<b>Total Board Expenses</b>	<b>700,000</b>	<b>0</b>

**12. Maintenance Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Plant and Equipment	2,135,000	0
Buildings	0	194,680
Ground	1,800,000	
Motor vehicles	998,000	
<b>Total Maintenance Expenses</b>	<b>4,933,000</b>	<b>194,680</b>

**13. Depreciation and Amortization Expenses**

Description	2023-2024	2022-2023
	KShs	KShs
Property, plant, and equipment	10,703,484	8,991,781
<b>Total Depreciation and Amortization</b>	<b>10,703,484</b>	<b>8,991,781</b>

Elwak Water and Sewerage Company Ltd  
Annual Reports and Financial Statements For the year ended June 30, 2024

Notes to the financial statements (continued)

14. Property, Plant and Equipment

2022-2023	Freehold land	Buildings & civil works 10%	Water & Sewer Infrastructure 10%	Plant and machinery 8.4%	Motor vehicles, including motor cycles 20%	Computers & related equipment 40%	Office equipment, furniture & fittings 20%	Capital work in progress	Total
<b>Cost Or Valuation</b>									
<b>Cost Or Valuation</b>									
At July 1, 2022		1,080,000		47,756,496		1,767,511	9,473,678		60,077,685
Additions				27,672,560					27,672,560
Transfers									
Disposals									
<b>At June 30, 2023</b>		<b>1,080,000</b>		<b>75,429,056</b>		<b>1,767,511</b>	<b>9,473,678</b>		<b>87,750,245</b>
<b>Depreciation</b>									
At July 1, 2022									
Charge For the Year		54,000		6,336,041		707,004	1,894,736		8,991,781
Impairment Loss									
Disposal									
<b>At June 30, 2023</b>		<b>54,000</b>		<b>6,336,041</b>		<b>707,004</b>	<b>1,894,736</b>		8,991,781
<b>Net Book Value At June 30, 2023</b>		<b>1,026,000</b>		<b>69,093,015</b>		<b>1,060,507</b>	<b>7,578,942</b>		<b>78,758,464</b>

Elwak Water and Sewerage Company Ltd  
Annual Reports and Financial Statements For the year ended June 30, 2024

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2024	Land	Buildings & civil works 10%	Water & Sewer Infrastructure 10%	Plant and machinery 8.4%	Motor vehicles, including motor cycles 20%	Computers & related equipment 40%	Office equipment, furniture & fittings 20%	Capital work in progress	Total
<b>Cost or valuation</b>									
As at July 2023		<b>1,026,000</b>		<b>69,093,015</b>		<b>1,060,507</b>	<b>7,578,942</b>	0	<b>78,758,464</b>
Additions	0	1,800,000	19,878,603	8,205,000	0	0	0	0	29,883,603
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
<b>As at 30<sup>th</sup> June 2024</b>		<b>2,826,000</b>	<b>19,878,603</b>	<b>77,298,015</b>	0	<b>1,060,507</b>	<b>7,578,942</b>	0	<b>108,642,067</b>
<b>Depreciation</b>									
At July 1, 2023		<b>174,000</b>	0	<b>10,716,805</b>	0	<b>1,885,344</b>	<b>4,263,156</b>	0	<b>17,039,305</b>
Charge for the year		282,600	1,987,860	6,493,033	0	424,203	1,515,788	0	10,703,484
Impairment loss		0	0	0	0	0	0	0	0
Disposal		0	0	0	0	0	0	0	0
<b>As at 30<sup>th</sup> June 2024</b>		<b>456,600</b>	<b>1,987,860</b>	<b>17,209,838</b>	0	<b>2,309,547</b>	<b>5,778,944</b>	0	<b>27,742,789</b>
<b>Net book value At June 30, 2024</b>		<b>2,543,400</b>	<b>17,890,743</b>	<b>70,804,982</b>	0	<b>636,304</b>	<b>6,063,154</b>	0	<b>97,938,583</b>

**Notes to the financial statements (continued)**

**Valuation**

Land and buildings were not valued. These amounts were adopted.

**20 (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:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Land			
Buildings & civil works	3,000,000	(456,600)	2,543,400
Water and Sewer Infrastructure	19,878,603	(1,987,860)	17,890,743
Plant and machinery	88,014,820	(17,209,838)	70,804,982
Motor vehicles, including motorcycles	0	(0)	0
Computers and related equipment	2,945,851	(2,309,547)	636,304
Office equipment, furniture, and fittings	11,842,098	(5,778,944)	6,063,154
	<b>120,252,769</b>	<b>(27,199,929)</b>	<b>97,938,583</b>

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Notes to the financial statements (continued)

**15. Trade and Other Receivables**

	<i>2023-2024</i>	<i>2022-2023</i>
	<b>KShs</b>	<b>KShs</b>
Gross trade and other receivables	2,308,000	804,166
Provision for bad and doubtful receivable		
<b>Net trade and other receivables</b>	<b>2,308,000</b>	<b>804,166</b>

**15. (a) Trade Receivables**

	<i>2023-2024</i>	<i>2022-2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	2,308,000	804,166
Provision for doubtful receivables		
Net trade receivables	<b>2,308,000</b>	<b>804,166</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days		
Between 30 and 60 days		
Between 61 and 90 days		
Between 91 and 120 days	2,308,000	804,166
Over 120 days		
<b>Total</b>	<b>2,308,000</b>	<b>804,166</b>

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Notes to the financial statements (continued)

**16. Bank and Cash Balances**

	2023-2024	2022-2023
	Kshs	Kshs
Cash at bank	294,637	11,290,646.34
Cash in hand	0	
Mobile money account	0	
	<b>294,637</b>	<b>11,290,646.34</b>

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

		2023-2024	2022-2023
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Equity bank ltd- Revenue a/c	1000280260417	15,825	2,617
Equity bank ltd- Operation a/c	1000280260468	209	10,026,121.34
Equity bank ltd-Development a/c	1000280259289	278,603	1,261,908
<b>Total</b>		<b>294,637</b>	<b>11,290,646.34</b>

**17. Ordinary Share Capital**

	2023-2024	2022-2023
	Kshs	Kshs
<b>Authorized:</b>		
1000 ordinary shares of Kshs.100 par value each	<b>100,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>		
1000 ordinary shares of Kshs.100 par value each	<b>100,000</b>	<b>100,000</b>

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**Notes to the financial statements (continued)**

**18. Revaluation Reserve**

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

**19. Fair Value Adjustment Reserve**

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

**20. Retained Earnings**

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

**21. Trade and Other Payables**

	2023-2024	2022-2023
	Kshs	Kshs
Trade payables	10,445,603	19,572,518
<b>Total</b>	<b>10,445,603</b>	<b>19,572,518</b>

**Aging Analysis for Trade and other Payables**

	2023-2024	% of the total	2022-2023	% of the total
Under one year	10,445,603	100%	19,572,518	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total</b>	<b>10,445,603</b>	<b>100%</b>	<b>19,572,518</b>	<b>100%</b>

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**Notes to the financial statements (continued)**

**22. Notes to The Statement of Cash Flows**

	2023-2024	2022-2023
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(28,558,408)	1,637,244
Depreciation	10,703,484	8,991,781
Amolllization	0	
(Gain)/loss on disposal of property, plant and equipment	0	
Operating profit/(loss) before working capital changes	0	
Working capital changes:		
(Increase)/decrease in inventories	0	
(Increase)/decrease in trade and other receivables	(2,308,000)	(1,958,619)
Increase/(decrease) in trade and other payables	9,249,765	982,138
Increase/(decrease) in retirement benefit obligations	0	
Increase/(decrease) in provision for staff leave pay	0	
<b>Cash generated from/ (used in) operation</b>	<b>(10,913,159)</b>	<b>(3,412,527)</b>
<b>Balance at beginning of the year</b>	<b>11,207,792</b>	<b>14,703,173</b>
<b>Balance at end of the year</b>	<b>294,637</b>	<b>11,290,646</b>
<b>(b) Analysis of cash and cash equivalents</b>		
Sho11 term deposits		
Cash at bank	294,637	11,290,646
Cash in hand		
	<b>2941637</b>	<b><u>11,290,646</u></b>

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**Notes to the financial statements (continued)**

**Other Disclosures**

**23. Related Party Disclosures**

**County Government of Mandera**

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

Other related parties include:

- The County Department in charge of Water
- County Government of Mandera
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**24. Financial Risk Management**

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

**Notes to the financial statements (continued)**

**(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

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in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

***Credit Risk (Continued)***

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

The 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**a) Foreign currency risk**

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

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

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase.

**iii) Fair value of financial assets and liabilities**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

- i)** Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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

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

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**Notes to the financial statements (continued)**

**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.

**Incorporation**

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

**25. Events After the Reporting Period**

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

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**20. 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)
	<p>The table of contents in the financial statements did not include acronyms and glossary of terms as required by the Annual Financial Reporting Template (revised June, 2023). In addition, passport size photographs and key professional/academic qualifications for the Board members and the Management team were not included in the relevant sections of the financial statements.</p> <p>In the circumstances, the financial statements were not presented in the format prescribed in the Annual Financial Reporting Template (revised June, 2023).</p>	<p>The above error occurred during submission of financial report to the office of auditor general on 29th sept 2023, as our finance team submitted the wrong copy of the report. However, we have corrected the mentioned errors and our financial report is in compliant with the format prescribed by the Public Sector Accounting Standard Board. A copy of the report has been provided for review and confirmation.</p>	Not resolved	July 2025
2	<p>The statement of financial position reflects current assets of Kshs.12,094,812 against total current liabilities of Kshs.19,572,518, resulting to negative working capital of Kshs.7,477,706. In addition, out of the total revenue of Kshs.112,620,409 reported in the statement of profit or loss and other comprehensive income, the Company generated only Kshs.1,000,023 representing 1% of the total revenue. The total staff costs for the permanent employees amounting to Kshs.26,380,200 was paid by the County Executive.</p> <p>In the circumstances, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due and it may continue to depend on support from the County Government of Mandera and creditors.</p>	<p>The above error occurred during submission of financial report to the office of auditor general on 29th sept 2023, as our finance team submitted the wrong copy of the report. However, we have corrected the mentioned errors and our financial report is in compliant with the format prescribed by the Public Sector Accounting Standard Board. A copy of the report has been provided for review and confirmation.</p>	Not resolved	July 2025

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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)
3	<p>The statement of profit or loss and other comprehensive income reflects grants income of Kshs.85,240,186. As reflected in note 7 to the financial statements, grants amounting to Kshs.78,758,464 were recognized in the statement of changes in equity as capital fund. The amount of grants recognized in the statement of profit or loss and other comprehensive was therefore overstated. In the circumstances, the accuracy of total revenue of Kshs.112,620,409 and profit after taxation of Kshs. 1,146,071 could not be confirmed</p>	<p>Prior year adjustment will be done in subsequent financial year 2023/2024</p>	<p>Not resolved</p>	<p>July 2025</p>
4	<p>The statement of financial position reflects capital grants balance of Kshs.78,758,464 as 30 June, 2023. However, the statement of changes in equity reflects capital grants balance of Kshs.126,524,960 resulting in unreconciled variance of Kshs.47,766,496. In addition, the statement of changes in equity reflects profit for the year of Kshs.1,146,071 under retained earnings as capital grants received during the year. In the circumstances, it was not possible to confirm the accuracy of capital grants of Kshs.78,758,464 and Kshs.126,524,960 presented in the statement of financial position and the statement of changes in equity respectively</p>	<p>Prior year adjustment will be done in subsequent financial year 2023/24</p>	<p>Not resolved</p>	<p>July 2025</p>
5	<p>The statement of financial position reflects net book value for property, plant and equipment of Kshs.78,758,464 as at 30 June, 2023 and as disclosed in note 15 to the financial statements. However, the accumulated depreciation as at 1 July, 2022 for the various classes of assets was not disclosed. In addition, the approved depreciation rates applied on depreciation of assets were not disclosed. Further the net book values for the prior year were not disclosed in note 15 as required. In the circumstances, the accuracy of property, plant and equipment of Kshs.78,758,464 could not be confirmed.</p>	<p>Prior adjustment will be done in subsequent financial year to correct the error</p>	<p>Not resolved</p>	<p>July 2025</p>

**Elwak Water and Sewerage Company Ltd**  
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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)
6	<p>The statement of financial position reflects trade and other payables balance of Kshs.19,572,518. However, the Management did not provide payment vouchers, other supporting documents and analysis to support the balance. In addition, Aging analysis for the payables was not included in note 20 to the financial statements.</p> <p>In the circumstances, the accuracy of the trade and other payables balance of Kshs.19,572,518 could not be confirmed.</p>	<p>The above error occurred during submission of financial report to the office of auditor general on 29th sept 2023, as our finance team submitted the wrong copy of the report. However, we have corrected the mentioned errors and our financial report is in compliant with the format prescribed by the Public Sector Accounting Standard Board. We have, however, provided all the necessary documents and explanation to support the payables balance in the financial statements. A copy of the payables sheet has been attached as ANNEX 2.</p>	Not resolved	July 2025
7	<p>The statement of profit or loss and other comprehensive income reflects operating revenue from water sales for the year of Kshs.1,000,023. However, the actual collection during the year was only Kshs.195,857 resulting in an under-collection of Kshs.804, 166 or 8.0% of the projected revenue. Management did not provide details on measures put in place to address the undesirable under-collection of revenue.</p> <p>Further, it was observed that operating revenue for the Company declined sharply from Kshs.6,925,300 reported in the previous financial year to Kshs.1,000,023 reported in the current financial year. Although Management explained that the decline was as a result of a directive by the County Government not to bill its customers during the year, Management did not provide the justification for the directive.</p> <p>My opinion is however not modified in respect of the above matter.</p>	<p>Elwak Municipality experienced prolonged draught that caused untold human suffering. The Company, as part of draught mitigation measure and upon direction from The Mandera County Executive, exempted the community, majority of whom live under the poverty line, from payment for the Financial Year in question. The County Government covered fully, all the fuel expenses through unconditional grant. The relevant documentation has been attached as ANNEX I.</p>	Not resolved	July 2025
8	<p>Included in the staff costs of Kshs.40,285,550 disclosed under note 10 to the financial statements was an expenditure on wages for casual workers of Kshs.13,734,350. Review of</p>	<p>The company has a pool of 73 casual employees from which some are engaged on need be bases, this is because of</p>	Not resolved	July 2025

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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)
	<p>casuals payroll revealed that there were seventy-three (73) casual workers who were engaged for more than three (3) continuous months contrary to Section 37(1)(a) &amp; (b) of the Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly. The contracts of the casuals were renewed after every three (3) months.</p> <p>In the circumstances, the Management was in breach of the law.</p>	<p>limited resources available. The Company does not have the financial capacity to employ the casuals on permanent basis.</p>		
9	<p>During the year under review, the Company estimated its annual water production at 4,038,858 M<sup>3</sup> of water. However, the Company did not have data on volume of water billed to customers.</p> <p>In the circumstances, it was not possible to determine the level of Non-Revenue Water and the operational efficiency of the Company could not be determined.</p>	<p>The NRW is high because of drop in billing for services as explained in previous response. The company also faces challenges such as vandalism of piping systems between Falama and Borehole 11 which is about 30Km apart. The rate of vandalism is very high as herders and animals tend to destroy parts of our pipes hence causing loss of water in M3. The company has however, recruited line patrollers on casual basis to counter the challenge of vandalism.</p>	Not resolved	July 2025

**Elwak Water and Sewerage Company Ltd**  
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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)
10	<p>According to Note 10 to the financial statement, total staff cost for the year under review was Kshs.40,285,550 against total water revenue of Kshs.1,000,023 for the same period. This implies that personnel cost as a percentage of water revenue was 4,028%. In the circumstances, the company exceeded the limit of 40% set by Water Services Regulatory Board which may compromise the sustainability of the Company.</p>	The Managements will seek the approval of the board in retrenching members of the staffs who are unproductive	Not resolved	July 2025
11	<p>The statement of financial position reflects net book value of Kshs.78,758,464 for property, plant and equipment as at 30 June, 2023. Included in the balance is an amount in respect of additions to property, plant and equipment of Kshs.27,672,560 relating to installation of submersible pumps and assorted water items. Examination of payment vouchers and other relevant documents revealed that payments totalling to Kshs.22,500,000 were made without deducting 6% VAT on supplies and 3% withholding VAT on payments for works. In the circumstances, Management was in breach of the law.</p>	The company applied to KRA to be a withholding agent. However, we are yet to receive an approval and a withholding pin from KRA as of 30th June 2023	Not resolved	July 2025



Name Issack Hassan Adan

Ag: Managing Director

Date 07/08/2024

**Elwak Water and Sewerage Company Ltd  
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**Appendix II: Projects Implemented by the Company  
Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Elwak-Falama 8 <sup>th</sup> UPC Water project	UPC 8TH	WSTF	July 2023 to December 2024	100%	YES	YES

**Status of Projects completion**

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Elwak-Falama UPC project	4,233,599	3,333,599.25	100%	s,000,000	4,233,599	WSTF

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**Appendix III- Inter-Entity Confirmation Letter**

**Name of Transferring entity: County Government of Mandera**

**Name of Beneficiary entity: Elwak Water and Sewerage Company Ltd**

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
1	13.09.2023			10,000,000	
2	06.10.2023			15,000,000	
3	15.11.2023			1,300,000	
4	31.01.2024			15,000,000	
5	06.05.2024			10,000,000	
6	28.06.2024			14,500,000	
			<b>TOTAL</b>	<b>65,800,000</b>	

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department - County Government of Mandera**

\_\_\_\_\_  
**Name Hassan Abdow Mohamed Sign** ...../;;:..... **Date 12.08.2024**

**Head of Accounts Department - Elwak Water and Sewerage Company Limited**

**Name Amir Hussein Adan Sign** ....  ..... **Date...12.08.2024**

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Appendix IV. Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
County Treasury	13.9.2023	ReculTent	10,000,000			0	0	0	10,000,000
County Treasury	6.10.2023	RecmTent	15,000,000			0	0	0	15,000,000
County Treasury	15.11.2023	RecrnTent	1,300,000			0	0	0	1,300,000
County Treasury	30.01.2024	ReculTent	15,000,000			0	0	0	15,000,000
County Treasury	06.05.2024	ReculTent	10,000,000			0	0	0	10,000,000
County Treasury	3.07.2024	Recurrent	14,500,000						14,500,000
WSTF	29.12.2023	Development	3,333,599	0	3,333,599	0	0	0	3,333,599
<b>TOTAL</b>			<b>69,133,599.25</b>						<b>69,133,599.25</b>