

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

**REPORT**

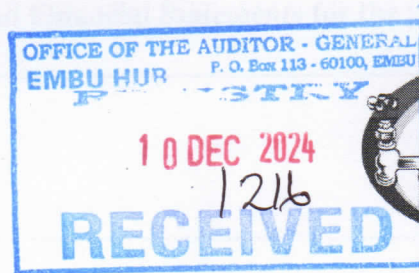
**OF**

**THE AUDITOR-GENERAL**

**ON**

**MERU WATER AND SEWERAGE  
SERVICES COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



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**MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED**

**ANNUAL REPORTS 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**

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

<i>CO</i>	<i>Chief Officer</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IHRM</i>	<i>Institute of Human Resource Management</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MEWASSCO</i>	<i>Meru Water and Sewerage Services Company Limited</i>
<i>MD</i>	<i>Managing Director</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>TWWDA</i>	<i>Tana Water Works Development Agency</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>



## **2. Key Entity Information**

### **Background Information**

Meru Water & Sewerage Services Company Limited (MEWASSCO) is incorporated under the Company's Act 2015, of the Laws of Kenya. The Constitution of Kenya 2010 under the Fourth Schedule placed water and sanitation services to the County governments. Consequently, the Transition Authority vide Gazette Notice no. 154 of 9<sup>th</sup> August 2013, transferred water service provision including water, sanitation and sewerage companies to the County Government of Meru.

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.

### **Principal Activities**

The principal activity of the Entity is to provide water and sanitation services within its area of jurisdiction

### ***Vision Statement***

*A model world-class provider of water and sanitation services*

### ***Mission statement***

*To sustainably provide quality, reliable and affordable water and sanitation services to the residents of Meru County leveraging on modern technology*

### ***Core Values***

- *Integrity*
- *Professionalism*
- *Team work*
- *Innovativeness*
- *Transparency*
- *Inclusiveness*
- *Customer service*
- *Environmental and climate change consciousness*



## **Directors**

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

Dr. Mworia Mugambi	- Chairman	Left on 5 <sup>th</sup> January,2024
Mr. Charles Mwenda	- Chief Officer Finance Economic Planning & ICT	Appointed on 7 <sup>th</sup> Sept,2022
Ms. Jackline Karimi	- Alternate to Chief Officer Finance	Appointed on 19 <sup>th</sup> January,2023
Ms. Elizabeth Kanini	- Board Member	Appointed on 16 <sup>th</sup> May 2018
Mr. Patrick Mugendi	- Managing Director	Appointed on 7 <sup>th</sup> Sept,2022
Mr. Stephen Mwenda	- Chairman	Appointed on 5 <sup>th</sup> January,2024
Ms. Irene Kinya	- Board Member	Appointed on 5 <sup>th</sup> January,2024
Dr. Eliud Mate	- Board Member	Appointed on 5 <sup>th</sup> January,2024
Mr. Lewis Kithinji	- Board Member	Appointed on 5 <sup>th</sup> January,2024
Mr. Mungathia Kiunga	- Board Member	Appointed on 5 <sup>th</sup> January,2024
Ms. Joyce Kaaria	- Chief Officer Water, Irrigation, Environment, Natural Resources & Climate Change	Appointed on 5 <sup>th</sup> January,2024



**Registered Office**

MEWASS Building  
Situating along Kinoru -Stadium Road  
P.O. Box 859-60200  
Meru, KENYA

**Corporate Headquarters**

P.O Box 859-60200  
MEWASS Building  
Situating along Kinoru -Stadium Road  
Meru, KENYA

**Corporate Contacts**

Tel: 064-3132591, 0717527707  
E-mail: [info@mewass.or.ke](mailto:info@mewass.or.ke)  
E-mail: [meruwater@gmail.com](mailto:meruwater@gmail.com)  
Website: [www.mewass.or.ke](http://www.mewass.or.ke)

**Corporate Bankers**

Standard Chartered Bank of Kenya  
Meru Branch  
P.O. Box 109 - 60200  
MERU

Equity Bank Ltd  
Meru Branch  
P.O. Box 400 - 60200  
MERU






**Independent Auditors**



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

**Principal Legal Advisers**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O Box 40112-00200  
Nairobi, Kenya

**3. The Board of Directors**

Photo	Name and Qualifications	Date of Birth and Experience
	<p>Stephen Mwenda Mungania            BBA - Finance            MBA-Finance            CPA(K)</p>	<p>Date of Birth 27/02/1975            Finance Manager Meru Dairy Union since 2005 – to date            Chairperson-Board of Directors</p>
	<p>Irene Kinya Maina            Counseling Psychologist            Kenya Association of professional counselor (KAPC)</p>	<p>Date of Birth 27/02/1985            Counsellor representative-Meru County</p>
	<p>Dr. Eliud Mate Muriithi            PhD Human Resource Management            Masters of Arts in Public Administration &amp; Management (IHRM)</p>	<p>Date of Birth 17/12/1970            Director Apex Consultants 2017-todate.            Lecturer department of Economics &amp; Business Management December 2011-March 2013 at Meru University of Science &amp; Technology, Director/Lecturer Meru Town Campus university of Science &amp; Technology October 2009-December 2011            Chairperson-Technical Committee</p>
	<p>Elizabeth Kanini            Dip. Business Management</p>	<p>Date of Birth 1974            Formerly nominated MCA from 2013 to 2017, Land Control Board Member from July 2007 to June 2014, Worked at Meru North Farmers SACCO</p>
	<p>Lewis Kithinji Murira            Bachelor of Development studies            Diploma in Tourism &amp; Travel Management</p>	<p>Date of Birth 1984            Director Meru County Alcoholic Drinks Control Board 2017-todate            Businessman</p>

	<p>Joyce Kaaria Master in Education</p>	<p>Date of Birth 25/08/1974 Ag Chief Officer Water and Irrigation, Climate change &amp; Natural Resources County Government of Meru Chairperson - Audit Committee</p>
	<p>Mungathia J. Kiunga Bachelor of Education Arts</p>	<p>Date of Birth 01/01/1986 Teacher at Burieruri Secondary School 2013- 2019, Businessman</p>
	<p>Charles Mwenda Kaibiria BCom Accounting, CPA(K)</p>	<p>Date of Birth 23/11/1980 Chief Officer Department of Finance, Economic Planning &amp; ICT County Government of Meru Chairperson-Finance &amp; Admin Committee</p>
	<p>Patrick Mugendi Kwiriga, Managing Director BBS-Development studies, MBA-HRM</p>	<p>Date of Birth 29/12/1977 Over 10 years' experience in Administration</p>

**4. Key Management Team**

Photo	Name and Qualifications	Date of Birth and Experience
	Patrick Mugendi Kwiriga, Managing Director BBS-Development studies, MBA-HRM	Date of Birth 29/12/1977 Over 10 years' experience in Administration
	CPA Lydia Mukami Kinoti Finance Manager BCom Accounting, CPA(K)	Date of Birth 17/04/1979 Over 15 years' experience in Accounting & Commercial services
	Kennedy Wekesa Kilali Technical Services Manager BSc. Water & Environmental Engineering	Date of Birth 02/08/1980 Over 13 years' experience in water Sector
	CPA Joses Muriuki Gitonga Internal Audit Manager BBA Acc & Fin, CPA(K)	Date of Birth 04/12/1972 Over 20 years' experience in Audit and Accounting
	Meckson Kinyua Musyoka Procurement Manager BBM, Dip Supplies Management	Date of Birth 05/11/1984 Over 10 years' experience in Procurement Management
	Caroline Ruguru Kinyua Ag. Human Resource Manager & Administration Diploma in secretarial and public relations	Date of Birth 28/05/1979 Over 10 years' experience in Administration



## **5. Chairman’s Statement**

It is our duty as a water company to provide water and sanitation services in the Meru Municipality and the surrounding areas as prescribed by the licence issued by the Water Services Regulatory Board as per the Water Act 2016. On behalf of the Board of Directors, I present annual report which outlines the Company’s financial and operational performance for the financial year ending 30<sup>th</sup> June 2024. The company is guided by five-year strategic plan which outlines Key Result Areas that are vital in addressing growth and development towards achievement of overall objective of providing quality water and sanitation services through modern technology.

### **Performance**

During the period, the Water Services Regulatory Board released performance report of Kenya Water services Sector which ranked the company among the top ten best performing water service providers in Kenya. The company was ranked position 7 nationally and position 3 in large water service providers category based on nine sector benchmarking criteria. On financial performance the company recorded a total operating income amounting to Ksh 255.9 million as compared to Ksh 238.6 million in the previous financial year 2022-2023. The total expenditure for the year amounts to Ksh 266.1 million as compared to Ksh 237.5 million in the previous financial year 2022-2023.

### **Infrastructure Development**

During the year the company invested a sum of Ksh 13.5 million towards extending water pipeline network to the underserved areas within the supply area. The interventions were aimed at addressing the water service issues identified from the residents. Similarly, work in progress amounting to Ksh 19.8 million was capitalized during the year.

The Board is aware that more is needed in terms of investment towards water supply as the demand has exceeded the available resource. In conjunction with the County government of Meru, the company has reached out to various water development partners towards funding of water infrastructure within the supply area under our jurisdiction.

### **The Board**

During the year, new Board of directors were unveiled following conversion of the water service provider from a Trust to a company. This was as a result of recommendation by the Senate County Public Investments and Special Funds Committee in conformity with the Water Act 2016.

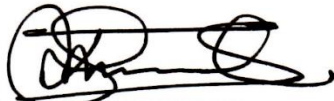
## **Chairman's Statement Cont'd**

### **Going forward**

As the mandate of the company is as spelt in the operating licence, we endeavour to discharge our responsibility accordingly. Therefore, we will be seeking necessary support from all our stakeholders as we aim to improve service delivery. The pricing of our water services cannot absorb the costs of operations. Therefore, the company will require looking for alternative funds to support the system. Some of the measures proposed will be to review the tariff structure.

### **In Conclusion**

On behalf of the Board of directors, I take this opportunity to thank the County Government of Meru for the favourable working environment provided and for the support to the Company. The support from our partners helped us improve our services. I sincerely appreciate our customers for support throughout the period. To the Management and Staff, your continued efforts, dedication and commitment in service delivery is commendable.



*Stephen Mwenda Mungania*  
**Chairman of the Board**



## **6. Report of the Managing Director**

I am required to report on the financial and operations of the water company for the period ending 30th June 2024. Being provider of water and sanitation services in the Meru Municipality and the surrounding areas, we are aware of the critical role we play in sustaining growth, development and quality of life to the community. Therefore, we are committed to providing quality and sustainable service so as to meet the expectations of our customers. To this end, we report that during the year 2023-2024, we continued to provide the essential service despite challenges of inadequate resources.

### **Performance**

Every year the Water Services Regulatory Board publishes performance of the sector through an Impact report. In the Impact report published in the year, the Company was ranked position 7 nationally among the best performing water service providers.

The total income during the financial year 2023-2024 amounted to Ksh 255.9 million being increase of 7.2 percent from Ksh 238.6 million in the financial year 2022-2023. The total expenditure for year amounted to Ksh 266.1 million compared to Ksh 237.5 million.

### **Financing**

The cost of operations continued to increase thus negatively affecting service delivery. The current tariff structure is unable to absorb costs and investment requirements for the company. Therefore, we shall in due course invite our stakeholder to chart a way forward regarding our pricing structure. Without revised pricing structure the existing water infrastructure may not be efficient as the cost of renews continues to increase. Therefore, we need to invest on long term solutions as the demand for water services has increased over the years. In the financial year in review the company incurred Ksh 13.5 million towards installing pipeline network while work in progress worth Ksh 19.8 million was capitalized.

### **Non-Revenue Water**

Non-revenue water is the difference between the amount of water a service provider produces and supplies to the distribution system and the amount of water billed. The company has over the years maintained the non-revenue water to below the regulator's benchmark by attaining 19.6 percent. The company continued to deploy various intervening measures towards management of the water losses.



### **Report of the Managing Director Cont'd**

These include installation of pressure reducing valves, monitoring of district meter areas, prompt attendance to pipe bursts, investigation and reporting of illegal water connections to the relevant authorities

### **Water Quality**

The water supplied by the company is safe and of high quality. The water complies with residue chlorine and bacteriological standard of 100 percent as attested by external tests by the relevant regulatory bodies. The company will continue to maintain high standard on the water produced and supplied to the customers. Similarly, the company produces and packages bottled water which is of high standards and is preferred by consumers.

### **Sewerage Coverage**

The current sewerage coverage within the supply area is minimal. This is due to the capacity of the existing sewerage treatment plant which is overloaded and its effluent does not meet the required standards. Due to the foregoing, the National government through the Tana Water Works Development Agency is constructing new Sewerage treatment plant. As soon as the new sewerage system is completed, the old Gakoromone treatment plant will be decommissioned. Similarly, there will be more customers connected to the new sewerage system.

### **Appreciation and Acknowledgement**

Let me take this opportunity to appreciate our customers for the support and believing in us. Special thanks go to the Board of directors for the guidance and support. To the County Government of Meru, on behalf of the company and all our employees I want to thank you for the continued support. I take this opportunity to recognize the management and staff for their dedication and commitment in serving our customers. I acknowledge support from our development partners namely Japan International Cooperation Agency and the Tana Water Works Development Agency for the technical support. Similarly, I recognize the Water Sector Trust Fund for the support accorded to us.



## **Report of the Managing Director Cont'd**

### **Way Forward**

To maintain services to the growing population, we need to invest in infrastructure and renew the distribution and transmission lines to increase the supply of water to our customers. The growing urban population and increase in demand for water services requires the company to pursue various investment models in order to satisfy the demand. We shall continue to engage with the development partners through the County Government of Meru for support in funding major infrastructure.

A handwritten signature in blue ink, appearing to read "Patrick Mugendi", with a long horizontal line extending to the right.

*Patrick Mugendi*  
**Managing Director**



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

*Section 164 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.*

MEWASSCO has strategic pillars/themes/issues and objectives within its annual work plans for the FY 2023/2024. These strategic pillars/themes/issues are as follows:

Pillar 1: Water and sanitation infrastructure development, operationalization and maintenance

Pillar 2: Assurance and customer satisfaction

Pillar 3: Financial sustainability

Pillar 4: Automation & technology

Pillar 5: Institution Development

MEWASSCO develops its annual work plans based on the above pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. MEWASSCO has continued to implement its performance targets set for the FY 2023/2024 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1. Water & sanitation infrastructure development, operationalization & maintenance	-Reduce operational Cost. -Increase no. of customers	-Increased Pipeline Coverage -Reduction of non-Revenue water Increased Billing	-Installation of more pipes to the network -Installation of sluice & Air valves -Changing of faulty & aged consumer meters	-Reduced leakages hence more supply -Improved water supply services -Reduction of NRW Increased billing
Pillar/ theme/ issue 2 Assurance and customer satisfaction	To improve effective communication	-Resolved customer complaints	-Implementation of customer charter	Improved customer satisfaction



**Statement Of Performance Against Predetermined Objectives For FY 2022/2023 Cont'd**

Pillar/ theme/ issue 3. Financial sustainability	Increase Revenues Prudent spending	-Increased collection Efficiency -Value for money	-Customers to settle bill -Procurement procedures	Collection efficiency of 95%
Pillar/ theme/ issue 4 Automation & technology	To improve financial accountability systems	Optimally running systems Timely and accurate reports	Complete the integration of the financial system Review and improve internal controls of ERP system	Web Based Information Management System in Place
Pillar/ theme/ issue 5. Institution Development	To strengthen the capacity of the board & Staff Capacity building	Introduction to Best corporate governance practices Enriched staff	Develop annual work plans for the board. Attending capacity building programs	Best corporate governance practices Updated policies

## 8. Corporate Governance Statement

Corporate governance structure ensures that the directors act with high standards of corporate behavior and in the best interests of the stakeholders. The board is responsible for the overall corporate governance and approves strategic directions and budgets.

The directors on regular basis meet the management team and are offered an opportunity to visit the infrastructure and relevant installations and projects in order to be versed with the company's activities. The directors representing various stakeholders in the company are expected to have skills and experience to perform relevant functions as directors. The board has three committees namely: Technical, Finance & Administration and the Audit Committee.

The Board in consultation with the management develops strategic directions for annual and long-time period. The Key Result Areas of the strategic plan are broken into annual business plans of which the management provides quarterly progress reports to the Board to enable it monitor the performance. During the financial year 2023/2024 the board held meetings as indicated below:

NAME OF THE DIRECTOR	FULL BOARD MEETING		COMMITTEE NAME	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Dr. Mugambi Mworira	1	1	Audit	1	1
Ms. Elizabeth Kanini	3	3	Audit Finance Technical	1 2 2	1 2 2
Mr. Stephen Mwenda	2	2	-		
Ms. Joyce Kaaria	1	1	Audit	2	2
Ms. Jackline Karimi	1	1	Finance	1	2
Mr. Charles Mwenda	1	1	-	-	-
Dr. Eliud Mate	2	2	Technical	2	2
Ms. Irene Kinya	2	2	Audit	2	2
Mr. Lewis Kithinji	2	2	Finance	2	2
Mr. Mungathia Kiunga	2	2	Technical	2	2

In addition to the above the board held three Special Board meeting during the year.



## 9. Management Discussion and Analysis

The management discusses and analyses the performance of Meru Water and Sewerage Services Company Limited for the 3-year period is as indicated below.

<i>Year</i>	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>	<i>2021-2022</i>
<i>Item Description</i>	<i>Amount (Ksh)</i>	<i>Amount (Ksh)</i>	<i>Amount (Kshs)</i>	<i>Amount (Ksh)</i>
<b><i>Revenue</i></b>		<b><i>Restated</i></b>	<b><i>Audited</i></b>	<b><i>Audited</i></b>
<i>Operating Revenue</i>	245,615,627	231,798,669	-	-
<i>Turn over</i>	-	-	218,510,168	197,255,722
<i>Grant Income</i>	5,961,032	2,787,637	-	-
<i>Other Income</i>	345,849	842,691	20,172,659	43,533,889
<i>Finance Income</i>	4,037,056	3,212,286	-	-
<i>Other gains/(losses)</i>	-	41,545	-	-
<b><i>Total Income</i></b>	<b>255,959,564</b>		<b>238,682,827</b>	<b>240,789,611</b>
<b><i>Expenditure</i></b>				
<i>Staff Costs</i>	105,473,389	102,008,902	-	-
<i>General &amp; Operation Expenses</i>	102,556,042	83,079,970	-	-
<i>Board Expenses</i>	6,719,793	3,919,748	-	-
<i>Maintenance Expenses</i>	27,113,209	27,292,740	-	-
<i>Administration &amp; Establishment</i>	-	-	111,678,957	118,167,759
<i>Selling &amp; Distribution</i>	-	-	104,485,698	100,640,057
<i>Depreciation and Amortization Expenses</i>	24,290,973	21,227,755	-	-
<i>Depreciation of property, plant &amp; Amortization of Intangible Assets</i>	-	-	19,343,061	20,006,801
<i>Finance Costs</i>	-	-	1,884,694	2,620,804
<b><i>Total Expenditure</i></b>	<b>266,153,405</b>	<b>237,529,113</b>	<b>237,529,113</b>	<b>241,803,820</b>
<b><i>Net Surplus /(Loss)</i></b>	<b>(10,193,841)</b>	<b>1,153,715</b>	<b>1,153,715</b>	<b>(1,014,209)</b>

The analysis of the table above indicates that the total income has been growing over the period i.e. an increase of 7.2%. Grant Income for the year 2023-2024 includes a grant from the Water Sector Trust Fund of Ksh.3,574,606. The grant received was designated to support the undeserved residents in Magundu sublocation focusing on promoting sanitation and hygiene in Majengo & Kibera villages.

### Operational Performance

During the three-year due to the management of the Non-Revenue Water, we were able to realise increase in billing for water services as less NRW implied more water available for consumption by the customers. Throughout the period MEWASSCO maintained NRW of below the industry benchmark



## **Management Discussion and Analysis Cont'd**

The MEWASS five-year Strategic plan has roadmap to fulfilment of the Key Result Areas as identified during formulation and validation of the plan by stakeholders. Some of the projects listed in the plan include Mutuaru Water Supply. The preliminary studies through the support of the Tana Water Works Agency were completed.

### **Compliance**

Throughout the period MEWASSCO did not experience nor default its obligations concerning statutory requirements.

### **Risks in the Water Sector**

The main challenge in the water sector is the change of the climate as a result of global warming. The change in climate continues to have negative effect on water bodies. The water from the rivers has greatly reduced. This has led to competition of the scarce resource by various users. Secondly, the road contractors continue to interfere with the water supply infrastructure during road works. The costs of replacing the destroyed infrastructure is enormous hence continue to adversely affect service delivery. Additionally, the escalating cost of operating water supply has increased tremendously due to inflation and the depreciating value of the Kenyan currency. Further, there has been cases of vandalism of water infrastructure which includes theft of water meters, manholes covers and pipes.

### **The Operating Environment**

The Water sector has undergone reforms since the enactment of the Water Act 2002 which was repealed by the Water Act 2016. The Constitution of Kenya 2010 under the Fourth Schedule placed water and sanitation services to the County governments. The company is wholly owned by the County Government of Meru.

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

The Company recognizes that it has responsibility to all stakeholders which includes the interests of customers, community and the employees. There is need for the company to foster amicable relationship with all the stakeholders, taking into consideration the impact of the company's operations on the local communities and the surrounding environment where it operates.

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

The sustainability of the company is dependent on the following key factors

- a) Water sources
- b) Collection and distribution infrastructure
- c) Water production levels
- d) Water distribution efficiency
- e) Value of non-revenue water (water loss)
- f) Political support/goodwill from the County

### **ii) Environmental performance**

MEWASSCO relies on the environment which provides water that is abstracted, treated and transmitted via pipeline to respective customers hence its conservation is crucial for sustainability. This is done by ensuring the conservation levies paid to the respective institutions. Regarding sewer management, MEWASSCO prioritizes and minimizes impact on the environment through environmentally responsible management and adherence to relevant statutory standards, most particularly with the sewerage treatment and disposal. However, due to the overloading of the existing sewerage treatment plant there has been a challenge.

### **iii) Employee welfare**

MEWASSCO recognizes that health, safety and training, play a key role in ensuring that the employees are committed to their duties at the workplace. Therefore, the working environment in which personal and employment rights is upheld. On the other hand, towards improvement of our staff, Welfare, we enrolled each and every employee to the medical scheme to cater for their health needs together with their immediate family members.



## **Environmental and Sustainability Reporting Cont'd**

Further, we regularly train our staff on various aspects in the service. During the year, our staff were facilitated to attend various trainings and workshops towards building their capacity.

Last but not the least, the employees are provided with the personal protection equipment during their daily working routine.

### **iv) Market place practices**

The company aspires to be a responsible open and trustworthy market player. In this regard the company ensures that all its commercial transactions are undertaken openly fairly and to the best interest of the parties involved.

#### **a) Responsible competition practice.**

Responsible Competition practice is about making sustainable development count in global and local markets. It means markets that reward business practices that deliver improved social, environmental, and economic outcomes. The entity is committed to competition practices to its customers and stakeholders

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

The company acknowledges the importance of managing suppliers through prompt payment. We endeavor to pay supplier invoices within the credit given by our suppliers.

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

The company, while publicizing its products, ensures that our marketing and advertisements campaigns are conducted using fair language, are morally upright and adhere to other fair advertising and marketing practices.

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

MEWASS continues to make a positive impact on the community in which it operates by participating in support of the institutions programs by providing material support which includes bottled water for the activities they are undertaking.



## **11. Report Of the Directors**

The Directors submit their twenty first report and the audited financial statements for the year ended 30<sup>th</sup> June 2024 which show the company's affairs.

### **i) Principal Activities**

The principal activities of the company are the provision of water and sewerage services within the Meru Municipality and its environs.

### **ii) Results**

The results for the year are set out on page 1.

### **iii) Directors**

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

### **iv) Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

**By order of the Board of Directors**

**Secretary to the Board**

**20/09/2024**



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

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Directors are responsible for the preparation and presentation of the Entity financial statements, which give a true and fair view of the state of affairs of the Entity for the year ended on 30th June 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 Entity;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Finance Management Act, 2012 and the Public Procurement and Asset Disposal Act 2015. The Directors are of the opinion that the Entity's financial statements give a true and fair view of the state of Entity's transactions during the financial year ended June 30, 2024, and of the Entity'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.


### **Statement Of Directors' Responsibilities Cont'd**

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

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

### **Approval of the financial statements**

The Company's financial statements were approved by the Board of Directors on **20<sup>th</sup> September, 2024** and signed on its behalf by:

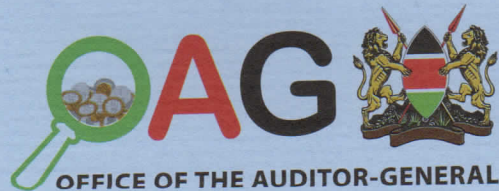


Name: Stephen Mwenda Mungania  
*Chairperson of the Board*



Name: Patrick Mugendi Kwiriga  
*Managing Director*

# REPUBLIC OF KENYA



*Enhancing Accountability*

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HEADQUARTERS  
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P.O Box 30084-00100  
NAIROBI

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of Meru Water and Sewerage Services Company Limited set out on pages 1 to 45, 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 Meru Water and Sewerage Services 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 Public Finance Management Act, 2012 and the Water Act, 2016.

### Basis for Qualified Opinion

#### 1. Long Outstanding Trade Receivables

As previously reported, Note 20 to the financial statements discloses gross trade receivables balance of Kshs.73,667,262 which comprises of a balance of Kshs.47,018,166 that have been outstanding for over three years. However, no evidence was provided of efforts made to recover or write off the overdue debts, contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which requires that entities pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the County Government are collected and banked promptly.

In addition, the statement of financial position reflects receivables and prepayments balance of Kshs.61,932,080 while Note 20 to the financial statements discloses a balance of Kshs.52,561,409 leading to unexplained and unreconciled variance of Kshs.9,370,571.

In the circumstances, the accuracy and recoverability of the long outstanding receivables balance of Kshs.73,667,262 could not be confirmed.

#### 2. Undisclosed Water Inventory Held in the Distribution Infrastructure

The statement of financial position reflects inventories of Kshs.4,865,875 as disclosed in Note 19 to the financial statements. The inventory is in respect of stationery and general stores. However, the Company did not value, present and disclose the amount of water held in the treatment plants, reservoirs and distribution systems at the end of year in accordance with International Accounting Standard on Inventories (IAS) 2.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.4,865,875 could not be confirmed.

### **3. Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables balance of Kshs.115,753,278 as disclosed in Note 27 to the financial statements. Review of the ageing analysis provided showed that payables totalling Kshs.74,213,855 had been outstanding for over three (3) years and Management did not provide an explanation for failing to settle the long outstanding creditors. Failure to settle obligations as and when they fall due exposes the Company to litigation and interest claims from creditors. This might expose the Water Company to possible legal actions and increased costs due to interests and penalties.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.115,753,278 could not be confirmed.

### **4. Lack of Share Certificates**

The statement of financial position reflects capital and capital reserve balance of Kshs.237,282,539 which excludes ordinary share capital balance of Kshs.100,000 as disclosed in Note 24 to the financial statements. The balance of ordinary share capital comprises of authorized 5,000 ordinary shares of Kshs.20 par value each amounting to Kshs.100,000.

Further, related party disclosure in Note 33 to the financial statements indicates that the Company is fully owned by the County Government of Meru. However, the share certificate relating to the paid-up share capital was not provided for audit review. This is contrary to Section 495 of part XVIII of the Companies Act, 2015 which states that a certificate duly executed in accordance with section 37 specifying any shares held by a member is, in the absence of proof to the contrary, evidence of the member's title to the shares.

In the circumstances, the accuracy, completeness and ownership of the Company as at 30 June, 2024 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Meru Water and Sewerage Services 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.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in

the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

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

### **Other Information**

Management is responsible for the Other Information set out on pages i to xxiii which comprise of Company Information and Overall Performance, Statement of Performance against Company's Predetermined Objectives, Environmental and Sustainability Reporting and statement of Company's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Ethnic Composition**

Review of the staff payroll revealed that during the year under review, Meru Water and Sewerage Services Company Limited had a staff establishment of one hundred and thirteen (113) staff. However, analysis of the establishment revealed that more than ninety-two (92%) of the staff belonged to the dominant ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

### **2. Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.221,486,726 which includes water sales amount of Kshs.165,560,746 as disclosed in Note 6 to the financial statements. However, review of the water records revealed that the Company produced 3,390,189 cubic meters of water during the year out of which 2,725,432 cubic meters was billed to customers resulting to 664,757 cubic meters as unaccounted for water or 20% of the total water produced which is below the recommended maximum of 25% as per the requirements of WASREB. No verifiable explanation was provided for the percentage of unaccounted-for water.

In the circumstances, although the Non Revenue Water was below the recommended percentage, the amount of Kshs.40,381,732 in respect to Non-Revenue Water could have been saved.

### **3. Use of Old Water Tariffs**

Review of the Company's records revealed that the Company charged customers based on tariffs approved on 18 July, 2014 that were to be applied from 2014 to 2017. However, the tariffs have since lapsed and the Company has continued to use the same old tariffs for six (6) subsequent years without approval.

In the circumstances, the tariffs charged are irregular since the same have not been approved.

### **4. Non-Compliance with Fiscal Responsibility Principles on Wage Bill**

The statement of profit or loss and other comprehensive income reflects total expenses and staff costs amounts of Kshs.266,153,405 and Kshs.105,473,389 respectively. However, the staff costs are 40% of operation and maintenance cost of Kshs.266,153,405. This is contrary to Paragraph 3.2 of the performance report of Kenya's Water Service Sector 2020/2021 from WASREB, issue Number 14/2022 on Performance Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of Operation and Maintenance Cost.

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

## **5. Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company**

The background information included in the key entity information section of the financial statements indicates the Company is a public limited company guaranteed by the Government of Kenya with no shareholding while the Company Memorandum and Articles of Association, 2015 indicates the Company is a private company limited by guarantee. This is contrary to Section 3.1(d) of the Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that the recommended model for Water Service Providers (WSP) is that they be public limited liability companies established under the Companies Act, 2015 under Section 77(3) and Section 3.3.1 (3) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that if their memorandum of objects and articles of association do not already state that they are owned by the county government which has taken up the shares of the defunct local authorities, amendments should be made to reflect this legal reality.

Further, the statement of financial position does not reflect any share capital contrary to Section 3.3.1(7) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that under the direction of Section 77 of the Water Act 2016, these companies should then change their memorandum to public companies limited by shares following the model for the sector, care being taken that real public participation in WSP governance is retained and Section 3.3.1(4) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that the county government shall 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, Management was in breach of the law

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance

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

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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**19 December, 2024**



**MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED**  
**Annual Reports 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.**

	Notes	2023-2024	2022-2023	2022-2023
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
			<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
<b>Revenue</b>				
Operating Revenue	6	221,486,726	211,499,100	-
<b>Turn Over</b>		-	-	218,510,168
Grant Income	7	5,961,032	2,787,637	-
Other Income	8	24,474,750	21,142,259	20,172,659
Finance Income	9	4,037,056	3,212,286	-
Other gains/(losses)	10	-	41,545	-
<b>Total Revenue</b>		<b>255,959,564</b>		<b>238,682,827</b>
<b>EXPENSES:</b>				
Staff Costs	11	105,473,389	102,008,902	-
General and Operation Expenses	12	102,556,042	83,079,970	-
Board Expenses	13	6,719,793	3,919,748	-
Maintenance Expenses	14	27,113,209	27,292,740	-
Administration and Establishment				(111,678,957)
Selling and Distribution				(104,485,698)
Depreciation and Amortization Expenses	15	24,290,973	21,227,755	
Depreciation of property, plant and equipment				(19,343,061)
Amortization of intangible assets				(1,884,694)
<b>Total Expenses</b>		<b>(266,153,405)</b>		<b>(237,392,410)</b>
Surplus/(Deficit) from Operating Activities				<b>1,290,417</b>
Net Finance Costs				(136,703)
Surplus/(Deficit) Before Taxation		(10,193,841)	1,153,715	1,153,715
Taxation	16	<u>3,963,689</u>	<u>29,967</u>	<u>29,967</u>
<b>Profit/Loss) after Taxation</b>		<b><u>(6,230,152)</u></b>		<b><u>1,183,682</u></b>



**15. Statement of Financial Position As At 30 June 2024**

	Notes	2023-2024	2022-2023	2022-2023
		Kshs	Kshs	Kshs
			Restated	Prior Year Audited
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant & equipment	17	246,106,332	224,584,461	224,584,461
Intangible assets	18	3,982,091	4,397,620	4,397,620
		<b>250,088,423</b>		<b>228,982,081</b>
<b>Current Assets</b>				
Inventory	19	4,865,875	4,552,650	4,552,650
Receivables and prepayments	20	61,932,080	63,341,136	63,341,136
Tax Recoverable	21	20,919,422	14,851,484	14,851,484
Cash and cash equivalents	23	90,787,229	84,214,395	84,214,395
<b>Total Current Assets</b>		<b>178,504,606</b>		<b>166,959,666</b>
<b>Total Assets</b>		<b>428,593,029</b>		
<b>Current Liabilities</b>				
Customer deposits				50,681,361
Payables and accruals				95,031,599
				<b>145,712,960</b>
<b>Working Capital</b>				<b>21,246,706</b>
<b>Net Assets</b>				<b>250,228,788</b>
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Revaluation Reserve	25	18,442,055		
Retained Earnings	26	218,840,484	225,070,636	
<b>Capital and Reserves</b>		<b>237,282,539</b>		
<b>Financed by:</b>				
Grants				609,996
Revenue reserves				225,070,636
<b>Totals</b>				<b>225,680,632</b>
<b>Non- Current Liabilities</b>				
Deferred Income	29	22,771,727	25,158,152	24,548,156
<b>Total Non-Current liabilities</b>		<b>22,771,727</b>		
<b>Total</b>				<b>250,228,788</b>



**MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED**  
**Annual Reports and Financial Statements for the year ended June 30, 2024**

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<b>Current Liabilities</b>				
Trade and other Payables	27	115,753,278	95,031,598	
Customer deposits	28	52,785,485	50,681,361	
<b>Total Current Liabilities</b>		<b>168,538,763</b>		
<b>Total Equity and Liabilities</b>		<b>428,593,029</b>		

The financial statements were approved by the Board of Directors on **20<sup>th</sup> September, 2024** and signed on its behalf by;

.....  
**Mr. Patrick Mugendi**  
**Managing Director**

.....  
**CPA Lydiah Mukami**  
**Head of Finance**  
**ICPAK M/No:22817**

.....  
**CPA Stephen Mwenda**  
**Chairman of the Board**



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

	<b>Revaluation Reserve</b>	<b>Retained Earnings</b>	<b>Capital Development Fund</b>	<b>Totals</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At 30 <sup>th</sup> June 2023 as previously stated	-	205,881,627	25,158,153	231,039,780
Correction of prior year transaction	-	19,189,009	-	19,189,009
<b>Restated as at 30 June 2023</b>	<b>-</b>	<b>225,070,636</b>	<b>25,158,153</b>	<b>250,228,789</b>
<b>As at July 1, 2023</b>	<b>-</b>	<b>225,070,636</b>	<b>25,158,153</b>	<b>250,228,789</b>
Revaluation gain	18,442,055	-	-	18,442,055
Loss for the year		(6,230,152)		(6,230,152)
Transfer of depreciation/amortisation from capital fund to retained earnings	-		(2,386,426)	(2,386,426)
<b>At 30 June 2024</b>	<b>18,442,055</b>	<b>218,840,484</b>	<b>22,771,727</b>	<b>260,054,266</b>



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

	Note	2023-2024	2022-2023 Restated	Prior Year Audited 2022-2023
<b>Cash Flows From Operating Activities</b>		<u><b>Kshs</b></u>	<u><b>Kshs</b></u>	<u><b>Kshs</b></u>
<b>Receipts</b>				
Operating Receipts	31	222,895,784	229,752,781	
Grant Income	31	3,574,606	-	
Finance Income		4,037,056	3,212,286	
Other Income		24,474,750	21,142,259	
Customer deposits		2,807,750	3,071,908	
<b>Total Receipts</b>		<b>257,789,946</b>		
Adjustments for:				
Depreciation				19,343,062
Deferred income				(2,787,637)
Gain on disposal				(41,545)
Amortization of intangible assets				1,884,694
Interest Income				(3,212,286)
<b>Totals</b>				<b>15,186,289</b>
<b>Surplus/Deficit before changes in working capital</b>				<b>16,340,004</b>
<b>Payments</b>				
Staff Costs		105,473,389	102,008,902	
General and Operation Expenses		84,251,837	89,563,501	
Board Expenses		6,719,793	3,919,748	
Maintenance Expenses		27,113,208	27,302,994	
Refund of Customer Deposits		703,626	1,752,755	
<b>Total Payments</b>		<b>224,261,853</b>		
Increase/Decrease in Inventory				648,498
Increase/Decrease in Receivables and prepayments				18,253,681
Increase in Consumer deposits				1,308,894
Increase in Payables and accruals				(6,650,181)
				<b>13,560,891</b>
<b>Cash Generated from Operations</b>				<b><u>29,900,895</u></b>
Taxation paid				(481,843)
<b>Net cash From /(Used In) Operating Activities</b>	<b>31</b>	<b><u>33,528,093</u></b>		<b><u>29,419,052</u></b>



**MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED**  
**Annual Reports and Financial Statements for the year ended June 30, 2024**

<b>Cash Flows from Investing Activities</b>				
Purchase of Intangible assets		(1,291,082)	(167,104)	(167,104)
Proceeds from the sale of fixed assets		-	104,062	104,062
Purchase of fixed assets		(25,664,177)	(14,147,852)	(14,147,852)
<b>Net Cash From/(Used In) Investing Activities</b>		<b>(26,955,259)</b>		<b>(14,210,894)</b>
<b>Cash Flows from Financing Activities</b>				
Interest received				3,212,286
<b>Net Cash From/(Used In) Financing Activities</b>				<b><u>3,212,286</u></b>
<b>Increase/(Decrease) In Cash And Cash Equivalents</b>		6,572,834		<b>18,420,444</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>31</b>	<b><u>84,214,395</u></b>		<b><u>65,793,953</u></b>
<b>Cash And Cash Equivalents At End Of The Year</b>	<b>31</b>	<b><u>90,787,229</u></b>	<b><u>84,214,395</u></b>	<b><u>84,214,395</u></b>



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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
Year	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Operating Revenue	240,056,472	17,456,591	257,513,063	245,615,627	11,897,436	95%
<b>Non-Operating Revenue</b>						
Grants	-	3,574,606	3,574,606	5,961,032	(2,386,426)	167%
Finance Income	3,325,000	600,000	3,925,000	4,037,056	(112,056)	103%
Miscellaneous Income	57,573	320,000	377,573	345,849	31,724	92%
<b>Total Revenues</b>	<b>243,439,045</b>	<b>21,951,197</b>	<b>265,390,242</b>	<b>255,959,564</b>	<b>9,430,678</b>	96%
<b>Expenses</b>						
Staff costs	107,895,611	(1,807,890)	106,087,721	105,473,389	614,332	99%
Board Expenses	3,323,948	3,519,822	6,843,770	6,719,793	123,977	98%
General and Operations Expenses	81,426,140	21,497,390	102,923,530	102,556,042	367,489	100%
Maintenance	31,641,473	(5,377,845)	26,263,628	27,113,209	(849,580)	103%
Depreciation and Amortization	18,154,373	4,479,720	22,634,093	24,290,973	(1,656,879)	107%
Withholding tax	997,500	(360,000)	637,500			
<b>Total Recurrent Expenditure</b>	<b>243,439,045</b>	<b>21,951,197</b>	<b>265,390,242</b>	<b>266,153,405</b>	<b>(763,162)</b>	
<b>Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,193,841)</b>	<b>-</b>	

The statement of comparison of Budget & Actual Amounts have been prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)



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

### **1. General Information**

Meru Water and Sewerage Services Company Limited is established under Company's Act 2015 and derives its authority and accountability from the Water Act 2016. The Company is wholly owned by the County Government of Meru and is domiciled in Kenya. The Company's principal activity is to provide water and sewerage services to the residents Meru Municipality and its Environs.

The Company's 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 entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the Public Finance Management Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The Cash flow statement is prepared using indirect method. The accounting policies adopted have been consistently applied to all the years present.

**Notes to the financial statements (cont'd)**

**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.***

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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 applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)*

**Notes to the Financial Statements (Cont'd)**

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

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

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

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

**iii. *Early adoption of standards***

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

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

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

- i) 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 Entity 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 entity 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 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>Rates</b>
Freehold Land	Nil
Buildings	2.5%
Water Treatment plant	2.5 %
Furniture and equipment	12.5 %

Plant and machinery	12.5 %
Water meters	20 %
Motor vehicles, including motorcycles	25 %
Computers and related equipment	30 %
Amortization of intangible assets	30 %
Office equipment, furniture and fittings	12.5%
Workshop equipment	33.3%
Pipeline extensions	12.5 %

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal.

**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 reducing balance 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.

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

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

**h) Trade and other receivables**

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

**i) 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.

**J) Deferred tax**

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

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

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.

**k) 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

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

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 financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**l) Borrowings**

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

**m) 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.

**n) Retirement benefit obligations**

The Entity provides retirement benefits for its employees. The scheme is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

**o) Budget information**

The budget for FY 2023-2024 was approved by the Board of Directors on 16<sup>th</sup> June 2023. The financial statements and the Budget are prepared on accrual basis using a classification based on

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

the nature of expenses in the statement of financial performance. 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 financial performance has been presented

#### **p) Comparative figures**

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

#### **q) 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 Entity'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 Entity bases its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may

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

change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

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

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

- The condition of the asset based on the assessment of experts employed by the Entity
- 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 in Note 16. 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.

#### **Provision for Bad and Doubtful debts**

**Dormant accounts provision** - debtor whose accounts are not active for more than five years are provided for in full, a **General provision** for doubtful debts is provided at ten (10) percent after deducting the dormant account debts

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

**6. Operating Revenue**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<u><i>Kshs</i></u>	<u><i>Kshs</i></u>	<u><i>Kshs</i></u>
		<u><i>Prior Year Restated</i></u>	<u><i>Prior Year Audited</i></u>
Water sales	165,560,746	162,867,675	162,707,875
Sewerage Services	37,033,817	32,783,321	32,783,321
Billing for other services	18,892,162	15,848,104	15,848,104
<b>Total</b>	<b>221,486,726</b>		<b>218,510,168</b>

*Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.*

**7. Grant Income**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<u><i>Kshs</i></u>	<u><i>Kshs</i></u>	<u><i>Kshs</i></u>
		<u><i>Prior Year Restated</i></u>	<u><i>Prior Year Audited</i></u>
Recurrent grants from WSFT	3,574,606	-	-
Capital grants armotised	2,386,426	2,787,637	2,787,637
<b>Total</b>	<b>5,961,032</b>		<b>2,787,637</b>

**8. Other Income**

<b>Description</b>	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<u><i>Kshs</i></u>	<u><i>Ksh</i></u>	<u><i>Ksh</i></u>
		<u><i>Prior Year Restated</i></u>	<u><i>Prior Year Audited</i></u>
Miscellaneous income	345,849	842,691	842,691
New connection fees	6,521,434	6,699,001	6,699,001
Bowser water income	-	-	159,800
Bottled water Sales	11,092,467	7,170,868	7,170,868
Exhauster Revenue	6,515,000	6,429,700	6,429,700
Deferred Income	-	-	2,787,637
Interest income	-	-	3,212,286
Gain on disposal	-	-	41,545
<b>Totals</b>	<b>24,474,750</b>	<b>21,142,259</b>	<b>27,343,526</b>



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

**9. Finance Income**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Interest from fixed deposits	4,037,056	3,212,286	-
<b>Total</b>	<b>4,037,056</b>	<b>3,212,286</b>	-

**10. Other Gains/Losses**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Gain on disposal	-	41,545	-
<b>Total</b>	-	<b>41,545</b>	-



**11. Staff costs**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
<b>Description</b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
		<b><u>Prior Year</u></b> <b><u>Restated</u></b>	<b><u>Prior Year</u></b> <b><u>Audited</u></b>
Gross salary and allowances	60,479,210	60,105,216	-
Casual workers wages	21,335,161	19,468,104	-
Medical insurance schemes	6,679,760	8,756,880	-
Employer's Contributions to Social Security Schemes	1,938,706	728,000	-
Employer's Contributions to Pension Schemes	5,696,172	5,691,214	
Gratuity Provisions	4,165,320	4,124,127	
Benevolent fund employer contribution	133,700	126,300	
Housing Levy Employer Contributions	1,011,533	-	
Staff Welfare	4,033,827	3,009,061	11,765,941
Salaries, Wages and Allowances- Administration & Establishment	-	-	56,301,630
Salaries, Wages and Allowances- Selling & Distribution	-	-	33,941,328
<b>Total</b>	<b>105,473,389</b>		<b>102,008,902</b>
<b>The average number of employees during the year</b>	<b>116</b>		<b>103</b>



## 12. General and Operations Expenses

	2023-2024	2022-2023	2022-2023
Description	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
		<u>Prior Year Restated</u>	<u>Prior Year Audited</u>
Chemicals and laboratory expenses	8,253,980	6,109,047	6,109,047
Electricity and Generator expenses	17,108,543	14,917,709	-
Electricity and Generator expenses- Administration & Establishment	-	-	785,034
Electricity - Selling & Distribution	-	-	14,132,675
Fuel,oils,lubricants and gases	7,666,084	5,848,121	
Motor Vehicle Running Expenses- Administration & Establishment	-	-	974,466
Motor Vehicle Running Expenses- Selling & Distribution	-	-	4,873,655
Office supplies	3,516,329	3,025,031	
Office supplies - Administration & Establishment	-	-	2,122,236
Office supplies - Selling & Distribution	-	-	902,795
Uniform and protective clothing	2,160,358	1,375,314	1,375,314
Telecommunication	3,140,597	3,051,456	3,051,456
Postage and courier	14,916	-	-
Insurance	2,075,403	2,018,558	2,018,558
Domestic Traveling and Subsistence	11,831,278	8,657,262	-
Travel and subsistence - Administration & Establishment	-	-	6,721,521
Travel and subsistence - Selling & Distribution	-	-	1,935,741
Staff Training and development	2,600,176	6,025,193	6,025,193
Bank charges	166,778	136,703	136,703
Security Services	2,000,399	1,903,567	1,903,567
Publicity and Advertising	623,739	967,465	967,465
Audit Fees	464,000	464,000	464,000
Legal fees	3,122,388	-	-
Fees and Levies	-	2,958,329	2,958,329
Licensing and levies	11,599,332	-	-
License fees	-	8,873,903	8,873,903



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Sports and recreation	3,028,027	1,060,405	1,060,405
Stakeholders expenses	486,450	-	-
Donations and CSR	779,210	-	-
Donations and Subscriptions	-	388,900	388,900
Social Activities	-	624,705	624,705
Hospitality expenses	2,129,192	1,884,704	1,884,704
Meetings and Conferences	-	506,020	506,020
Provision for doubtful debts	716,648	905,114	905,114
Bottling Plant Expenses	6,911,681	4,325,914	4,325,914
Excise Duty	2,409,718	1,930,424	1,930,424
Exhauster Expenses	4,723,562	3,352,551	3,352,551
Water Analysis Expenses	828,240	902,528	902,528
Magundu sanitation Project Expenses	3,205,570	-	-
Assorted Tools	993,446	810,040	810,040
General Office Expenses	-	57,010	57,010
<b>Total</b>	<b>102,556,042</b>		<b>83,079,970</b>

**13. Board Expenses**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
<i>Description</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Chairman Honoraria	100,000	-	-
Sitting Allowances	1,352,500	556,000	
Induction and Training	884,538	310,594	
Travel and accommodation	2,896,743	2,460,904	
Other allowances	1,486,012	592,250	
Directors' Fees and Allowances			3,919,748
<b>Total Board Expenses</b>	<b>6,719,793</b>		<b>3,919,748</b>

**14. Maintenance Expenses**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
<i>Description</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Repairs and Maintenance	5,802,232	4,689,073	-
Repairs and Maintenance - Administration & Establishment	-	-	1,922,186
Repairs and Maintenance - Selling & Distribution	-	-	2,766,887



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Rehabilitation-sewer system	69,010	37,350	37,350
Operation & maintenance - pipelines	16,572,644	15,379,509	15,379,509
Motor Vehicle Running Expenses	4,298,433	2,576,484	-
Motor Vehicle Running Expenses- Administration & Establishment	-	-	2,483,055
Motor Vehicle Running Expenses- Selling & Distribution	-	-	93,428
Infrastructural networks	334,891	4,520,324	4,520,324
Night flow measurements	36,000	90,000	90,000
<b>Total Maintenance Expenses</b>	<b>27,113,209</b>		<b>27,292,740</b>

**15. Depreciation and Amortization Expenses**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
<b>Description</b>	<i>KShs</i>	<i>KShs</i>	
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Property, plant, and equipment	22,584,363	19,343,061	19,343,061
Intangible assets	1,706,610	1,884,694	1,884,694
<b>Total Depreciation and Amortization</b>	<b>24,290,973</b>		<b>21,227,755</b>

**16. Income Tax Expense/ (Credit)**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Current taxation based on the adjusted profit for the year at 30%	-3,963,689	-29,967	-29,967
<b>Total</b>	<b>-3,963,689</b>		<b>-29,967</b>



**Notes to the Financial Statements (Cont'd)**

**Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Profit before taxation	(10,193,840)	1,153,715	1,153,715
Tax at the applicable tax rate of 30%	(3,058,152)	346,116	-
Tax effects of expenses not deductible for tax purposes	7,701,689	6,842,621	-
Add non allowable expenses			22,808,738
Tax effects of income not taxable	(715,928)	(836,291)	-
Deferred income for the year			(2,787,637)
Tax effects of excess capital allowances over depreciation/amortization	(7,891,298)	(6,382,412.40)	-
Less Allowable expenses			(21,274,708)
Taxable income			(99,891)
Tax @30%			(29,967)
<b>Total</b>	<b>(3,963,689)</b>	<b>(29,967)</b>	<b>(29,967)</b>



**MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED**  
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**Notes to the financial statements (continued)**

**17. Property, Plant and Equipment**

2022-2023	Free Hold Land	Buildings	Office Computers	Motor Vehicles	WTP Equipment & Tools	Water Meters & Equipment	Office Furniture & Equipment	Pipes & Fittings	Water & sewerage treatment	Work in Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>COST/VALUATION</b>											
At July 1, 2022	7,507,945	14,386,226	17,538,336	37,313,840	6,750,112	85,923,549	10,297,069	99,661,810	126,399,167	20,514,080	426,292,134
Additions	-	-	901,981	1,261,240	-	6,101,948	3,050,224	9,000	-	2,823,459	14,147,852
Capitalized WIP	-	-	-	-	-	-	2,380,700	1,074,836	-	(3,455,536)	-
Disposal	-	-	(127,585)	-	-	-	-	-	-	-	(127,585)
<b>At June 30, 2022</b>	<b>7,507,945</b>	<b>14,386,226</b>	<b>18,312,732</b>	<b>38,575,080</b>	<b>6,750,112</b>	<b>92,025,497</b>	<b>15,727,993</b>	<b>100,745,646</b>	<b>126,399,167</b>	<b>19,882,003</b>	<b>440,312,401</b>
<b>DEPRECIATION</b>											
At July 1, 2022	-	3,092,529	15,933,792	27,366,901	5,920,623	61,858,437	7,836,713	56,627,302	17,813,649	-	196,449,946
Disposal	-	-	(65,068)	-	-	-	-	-	-	-	(65,068)
Charge for the year	-	282,342	733,202	2,802,045	276,220	6,033,412	986,410	5,514,793	2,714,638	-	19,343,062
<b>At June 30, 2023</b>	<b>-</b>	<b>3,374,871</b>	<b>16,601,926</b>	<b>30,168,946</b>	<b>6,196,842</b>	<b>67,891,849</b>	<b>8,823,123</b>	<b>62,142,095</b>	<b>20,528,287</b>	<b>-</b>	<b>215,727,940</b>
<b>Net Book Value At June 30, 2023</b>	<b>7,507,945</b>	<b>11,011,355</b>	<b>1,710,806</b>	<b>8,406,134</b>	<b>553,269</b>	<b>24,133,648</b>	<b>6,904,871</b>	<b>38,603,551</b>	<b>105,870,880</b>	<b>19,882,003</b>	<b>224,584,461</b>



**MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED**  
**Annual Reports and Financial Statements for the year ended June 30, 2024**

**Notes to the Financial Statements (Cont'd)**

**Property, Plant and Equipment (Continued)**

2023-2024	Free Hold Land	Buildings	Office Computers	Motor Vehicles	WTP Equipment & Tools	Water Meters & Equipment	Office Furniture & Equipment	Pipes & Fittings	Water & sewerage treatment	Work in Progress	Total
	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	<u>Kshs.</u>	Kshs	<u>Kshs.</u>	<u>Kshs.</u>
As at July 1, 2023	7,507,945	14,386,226	18,312,732	38,575,080	6,750,112	92,025,497	15,727,993	100,745,646	126,399,167	19,882,003	440,312,401
Additions	-	790,752	1,014,864	-	-	9,504,317	817,470	13,536,774	-	-	25,664,177
Capitalized WIP	-	1,566,129	-	-	-	-	-	18,315,874	-	(19,882,003)	-
Valuation	18,442,055	-	-	-	-	-	-	-	-	-	18,442,055
<b>As at 30<sup>th</sup> June 2024</b>	<b>25,950,000</b>	<b>16,743,107</b>	<b>19,327,596</b>	<b>38,575,080</b>	<b>6,750,112</b>	<b>101,529,814</b>	<b>16,545,463</b>	<b>132,598,294</b>	<b>126,399,167</b>	<b>-</b>	<b>484,418,632</b>
At July 1, 2023	-	3,374,871	16,601,926	30,168,946	6,196,842	67,891,849	8,823,123	62,142,095	20,528,287	-	215,727,940
Charge for the year	-	334,206	817,701	2,101,533	184,239	6,727,593	965,293	8,807,025	2,646,772	-	22,584,361
<b>As at June 30<sup>th</sup> 2024</b>	<b>-</b>	<b>3,709,077</b>	<b>17,419,627</b>	<b>32,270,479</b>	<b>6,381,081</b>	<b>74,619,442</b>	<b>9,788,415</b>	<b>70,949,120</b>	<b>23,175,059</b>	<b>-</b>	<b>238,312,301</b>
Net book value											
<b>At June 30, 2024</b>	<b>25,950,000</b>	<b>13,034,030</b>	<b>1,907,969</b>	<b>6,304,600</b>	<b>369,031</b>	<b>26,910,372</b>	<b>6,757,048</b>	<b>61,649,174</b>	<b>103,224,108</b>	<b>-</b>	<b>246,106,331</b>



**Notes to the Financial Statements (Cont'd)**

Property, plant and equipment worth Kshs 19,269,448 donated to Meru Water and Sewerage Services at Inception by the Government of Kenya and the Government of Japan are included in these financial statements. These include computers, furniture and fittings, laboratory equipment, motor vehicles and motor cycles, office and workshop equipment and water meters. Assets of an undetermined value which were originally under the Meru Municipal Council and the then Ministry of Environment and Natural Resources are not included in these accounts. These include all distribution and storage tanks, structures and works at the water treatment plant, buildings, water pipes network, master meters, structures and works at the sewer treatment, sewerage conduit pipes networks and all the land on which these items are constructed. The Entity utilizes all these assets to provide water and sewerage services to the residents of Meru Municipality and its environs.

**Valuation**

Land was valued by NI-Light Consultants Limited independent valuer and certificate of valuation dated 17<sup>th</sup> May 2024 submitted. The valuation has been accounted in the FY 2023/2024.

**18. Intangible Assets**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>COST</b>		
At July 1	19,554,497	19,387,393
Additions	1,291,082	167,104
At June 30	20,845,579	19,554,497
<b>AMORTISATION</b>		
At July 1	15,156,877	13,272,183
Charge for the year	1,706,610	1,884,694
At June 30	16,863,487	15,156,877
<b>NET BOOK VALUE</b>		
At June 30	<b><u>3,982,091</u></b>	<b><u>4,397,620</u></b>

**Notes to the Financial Statements (Cont'd)**

**19. Inventories**

	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
		<b>Prior Year Restated</b>	<b>Prior Year Audited</b>
Pipes and fittings	2,775,552	3,260,767	3,260,767
Electrical fittings	2,365	4,730	4,730
Chemicals	1,179,597	517,104	517,104
Other items	908,360	770,050	770,050
<b>Total</b>	<b>4,865,875</b>		<b>4,552,650</b>

**20. Trade and Other Receivables**

	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
		<b>Prior Year Restated</b>	<b>Prior Year Audited</b>
Trade receivables (note (20 a))	73,667,262	77,822,881	77,822,881
Deposits and prepayments	3,136,454	522,286	-
Other receivables, deposits and prepayments	-	-	5,907,460
VAT (Value Added Tax) recoverable	2,081,765	2,081,765	-
Staff receivables (note 20 (b))	40,675	33,175	-
Other receivables	4,111,777	3,270,234	-
<b>Gross trade and other receivables</b>	<b>83,037,932</b>	<b>83,730,341</b>	<b>83,730,341</b>
Provision for bad and doubtful receivable	21,105,853	20,389,205	20,389,205
<b>Net trade and other receivables</b>	<b>61,932,079</b>	<b>63,341,136</b>	<b>63,341,136</b>



**Notes to the Financial Statements (Cont'd)**

**20. (a) Trade Receivables**

	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
		<b>Prior Year Restated</b>	<b>Prior Year Audited</b>
Gross trade receivables	73,667,262	77,822,881	77,822,881
Provision for doubtful receivables	21,105,853	20,389,205	20,389,205
<b>Net trade receivables</b>	<b>52,561,409</b>		<b>57,433,676</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>			
Less than 30 days	16,804,512	16,219,553.85	16,219,553.85
Between 30 and 60 days	4,673,855	977,528.35	977,528.35
Between 61 and 90 days	2,946,047		-
Between 91 and 120 days	2,224,681		60,625,799
Over 120 days	47,018,166		
<b>Total</b>	<b>73,667,262</b>		<b>77,822,881</b>

**20. (b) Staff Receivables**

	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
		<b>Prior Year Restated</b>	<b>Prior Year Audited</b>
Gross staff advances	40,675.00	33,175.00	-
Provision for impairment loss	-	-	-
<b>Net staff advances</b>	<b>40,675.00</b>		

**21. Tax Recoverable**

	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
		<b>Prior Year Restated</b>	<b>Prior Year Audited</b>
At beginning of the year	14,851,484	14,339,674	14,339,674
Income tax charge for the year (note 17)	3,963,689	29,967	29,967
Income tax paid during the year	2,104,250	481,843	481,843
<b>At end of the year</b>	<b>20,919,422</b>		<b>14,851,484</b>

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

**22. Short Term Deposits**

		<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<b>Account Number</b>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<b>Commercial banks</b>			<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Equity Bank Limited	1040385222168	3,406,398	3,466,364	3,466,364
Equity Bank Limited	1040385320562	2,000,000	-	-
Equity Bank Limited	1040385741346	53,000,000	52,000,000	52,000,000
<b>Totals</b>		<b>58,406,398</b>		<b>55,466,364</b>

**23. Bank and Cash Balances**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
Cash at bank	32,099,816	28,190,103	28,190,103
Cash in hand	6,407	5,370	5,370
Mobile money account	274,608	552,558	552,558
<b>Totals</b>	<b>32,380,831</b>		<b>28,748,031</b>

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

		<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
<b>Financial institution</b>	<b>Account number</b>	<i>KShs</i>	<i>KShs</i>	<i>Kshs</i>
			<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
<b>a) Current account</b>				
Standard Chartered Bank	0102063431800	566,109	22,757,257	22,757,257
Equity Bank Limited	1040299452042	4,543,508	5,432,846	5,432,846
Equity Bank Limited	1040285162723	6,366,061	-	-
Equity Bank Limited	1040285036375	19,997,412	-	-
Equity Bank Limited	1040284438706	626,726	-	-
<b>Sub- total</b>		<b>32,099,816</b>		<b>28,190,103</b>



		<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
<b>Financial institution</b>	<b>Account number</b>	<i>KShs</i>	<i>KShs</i>	<i>Kshs</i>
			<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
<b>b) Fixed deposits account</b>				
Equity Bank Limited	1040385222168	3,406,398	3,466,364	3,466,364
Equity Bank Limited	1040385320562	2,000,000	-	-
Equity Bank Limited	1040385741346	53,000,000	52,000,000	52,000,000
<b>Sub- total</b>		<b>58,406,398</b>		<b>55,466,364</b>
<b>c) Others</b>				
Cash in hand		6,407	5,370	5,370
Mobile money account		274,608	552,558	552,558
<b>Sub- total</b>		<b>281,015</b>		<b>557,928</b>
<b>Grand total</b>		<b>90,787,229</b>		<b>84,214,395</b>

#### **24. Ordinary Share Capital**

	<i>2023-2024</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>
<b>Authorized:</b>		
5,000 ordinary shares of Kshs. 20 par value each	100,000	-
<b>Issued and fully paid:</b>		
5,000 ordinary shares of Kshs. 20 par value each	-	-

The company Share capital is made up of 5,000 ordinary shares of Kshs. 20 each which is nominal capital.

#### **25. 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.

**Notes to the Financial Statements (Cont'd)**

**26. 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.

**27. Trade and Other Payables**

	<b>2023-2024</b>	<b>2022-2023</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
		<b>Prior Year Restated</b>	<b>Prior Year Audited</b>
Trade payables	92,968,504	69,402,233	69,402,233
Other payables			
Other payables & accruals		44,818,374	44,818,374
Correction of prior year transaction		(19,189,009)	
Other payables & accruals	22,784,774		
<b>Total</b>	<b>115,753,278</b>	<b>95,031,598</b>	<b>114,220,608</b>

**Aging Analysis for Trade and other Payables**

	<b>2023-2024</b>	<b>% of the total</b>	<b>2022-2023</b>	<b>% of the total</b>
	<b>Kshs</b>		<b>Kshs</b>	<b>Kshs</b>
			<b>Prior Year Restated</b>	
Under one year	41,075,423	35.49%	13,316,329	14.01 %
1-2 years	464,000	0.4%	4,112,505	4.33%
Over 3 years	74,213,855	64.11%	77,602,764	81.66 %
<b>Total</b>	<b>115,753,278</b>	<b>100%</b>	<b>95,031,598</b>	<b>100%</b>

**28. Customer Deposits**

These are refundable deposits paid by customers when opening a new water connection account. These deposits are refunded when water services to a customer are terminated. The customer's deposits are held in short term fixed deposit account number 1040385741346 at Equity Bank Limited.



**Notes to the Financial Statements (Cont'd)**

**Analysis of customer deposits**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Opening balance	50,681,361	49,362,208	-
Add: Deposits received during the year	2,807,750	3,071,908	
Less: Refunded deposit during the year	(703,626)	(1,752,755)	
<b>Closing Balance</b>	<b>52,785,485</b>	<b>50,681,361</b>	<b>50,681,361</b>

**29. Deferred income**

The deferred income movement is as follows:

<b>Description</b>	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Balance brought forward	25,158,152	27,945,789	-
Transfers to income statement	(2,386,426)	(2,787,637)	-
<b>Balance carried forward</b>	<b>22,771,726</b>	<b>25,158,152</b>	<b>-</b>

**Notes to the Financial Statements (Cont'd)**

**30. Taxation**

	<i>2023-2024</i>	<i>2022-2023</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Prior Year Restated</i>	<i>Prior Year Audited</i>
Profit before taxation	(10,193,840)	1,153,715	1,153,715
Tax at the applicable tax rate of 30%	(3,058,152)	346,116	-
Tax effects of expenses not deductible for tax purposes	7,701,689	6,842,621	-
Add non allowable expenses			22,808,738
Tax effects of income not taxable	(715,928)	(836,291)	-
Deferred income for the year			(2,787,637)
Tax effects of excess capital allowances over depreciation/amortization	(7,891,298)	(6,382,413)	-
Less Allowable expenses			(21,274,708)
Taxable income			(99,891)
Tax @30%			(29,967)
<b>Total</b>	<b>(3,963,689)</b>		<b>(29,967)</b>

**31. Notes to the Statement of Cash Flows**

		<i>2023-2024</i>	<i>2022-2023</i>
		<i>Kshs</i>	<i>Kshs</i>
			<i>Prior year Restated</i>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>			
Profit or loss before tax		(10,193,841)	1,153,715
Depreciation		22,584,361	19,343,062
Amortization of intangible assets		1,706,610	1,884,694
Amortization of capital grants		(2,386,426)	(2,787,637)
(Gain)/loss on disposal of property, plant and equipment		-	(41,545)
<b>Operating profit/(loss) before working capital changes</b>		<b>11,710,704</b>	<b>19,552,290</b>
<b>Working capital changes:</b>			



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(Increase)/decrease in inventories		(313,349)	648,498
(Increase)/decrease in trade and other receivables		1,409,058	18,253,681
Increase/(decrease) in trade and other payables		20,721,680	(6,650,181)
Increase/(decrease) in customer deposits		-	1,308,894
		<b>21,817,389</b>	<b>13,560,892</b>
Taxation paid			<b>(481,843)</b>
<b>Cash generated from/ (used in) Operating Activities</b>		<b>33,528,093</b>	<b>32,631,336</b>
<b>Reconciliation of Receivables</b>			
<b>Operating Receipts</b>	221,486,726		
Add Increase in receivables	1,409,058		
<b>Net receivables</b>	<b>222,895,784</b>		
<b>Grant Income</b>	5,961,032		
Less capital grant amortised	(2,386,426)		
<b>Net income</b>	<b>3,574,606</b>		
<b>Reconciliation of Payables</b>			
General and Operation Expenses	102,556,042		
Add decrease in inventory	313,224		
Add decrease in taxation paid	2,104,250		
Less increase in payables and accruals	(20,721,679)		
<b>Net payables</b>	<b>84,251,837</b>		
<b>(b)Analysis of cash and cash equivalent</b>			
<b>Short term deposits</b>			
Equity Bank Limited	1040385222168	3,406,398	3,466,364
Equity Bank Limited	1040385320562	2,000,000	-
Equity Bank Limited	1040385741346	53,000,000	52,000,000
<b>Cash at bank</b>			
Standard Chartered bank	0102063431800	566,109	22,757,257
Equity Bank Limited	1040299452042	4,543,508	5,432,846
Equity Bank Limited	1040285162723	6,366,061	
Equity Bank Limited	1040285036375	19,997,412	
Equity Bank Limited	1040284438706	626,726	
Mobile money account	918350	274,608	552,558
<b>Cash in hand</b>		<b>6,407</b>	<b>5,370</b>
<b>Balance at end of the year</b>		<b>90,787,229</b>	<b>84,214,395</b>

**Notes to the Financial Statements (Cont'd)**

**32. Disclosure of prior year error**

In the financial year 2024, the company corrected previous period error which came to the light of management during the current period that had resulted in overstatement of other liabilities by Ksh 19,189,009 and understated retained earnings. The correction of error is accounted for retrospectively and the comparative information for year 2023 has been restated. The effect of change is Ksh19,189,009 increase in retained earnings.

**Other Disclosures**

**33. Related Party Disclosures**

**County Government of Meru**

The County Government of Meru is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- The County Department in charge of Water
- Tana Water works Development Agency
- WASREB (Water Services Regulatory Board)
- WARMA (Water Resources Management Authority)
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

	<i>2023-2024</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>
<b>a) Sales to related parties</b>		
Interest income from Equity Bank Limited	4,037,056	3,212,286
<b>Total</b>	<b>4,037,056</b>	<b>3,212,286</b>
<b>b) Grants from the Government</b>		
Grants from Water Sector Trust Fund	3,574,606	-
<b>Total</b>	<b>3,574,606</b>	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments for goods and services for WSFT Magundu sanitation project	3,205,570	-



	<i>2023-2024</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>
<b>Total</b>	3,205,570	-
<b>d) Key management compensation</b>		
Directors' emoluments	100,000	-
Compensation to key management	23,581,870	23,260,398
<b>Total</b>	<b>23,681,870</b>	<b>23,260,398</b>

### 34. Contingent Liabilities

	<i>2023-2024</i>	<i>2022-2023</i>
	<i>Kshs</i>	<i>Kshs</i>
Court case of a land ownership dispute	17,853,494	17,853,494
<b>Total</b>	<b>17,853,494</b>	<b>17,853,494</b>

### 35. Financial Risk Management

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

#### (i) Credit risk

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

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

**Notes to the Financial Statements (Cont'd)**

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

**Trade Receivables**

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>At 30 June 2024</b>				
Trade Receivables	73,667,262	56,561,409	-	21,105,853
Bank balances	90,780,822	-	-	-
<b>At 30 June 2023</b>				
Trade Receivables	77,822,881	57,433,676	-	20,389,205
Bank balances	84,209,025	-	-	-

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.

**Notes to the Financial Statements (Cont'd)**

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2024</b>				
Trade payables	37,074,475	164,014	55,730,014	92,968,504
<b>Total</b>	<b>37,074,475</b>	<b>164,014</b>	<b>55,730,014</b>	<b>92,968,504</b>
<b>At 30 June 2023</b>				
Trade payables	8,219,296	2,100,314	59,082,623	69,402,233
<b>Total</b>	<b>8,219,296</b>	<b>2,100,314</b>	<b>59,082,623</b>	<b>69,402,233</b>

**(iii) Market risk**

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

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

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

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

**Notes to the Financial Statements (Cont'd)**

**a) Interest rate risk**

Interest rate risk is the risk that the Company’s financial condition may be adversely affected as a result of changes in interest rate levels. The company’s interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises 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) Capital Risk Management**

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

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	18,442,055	-
Retained earnings	218,840,484	225,070,636

**36. Incorporation**

Meru Water & Sewerage Services Company Limited (MEWASSCO) is incorporated under the Company’s Act, 2015 of the Laws of Kenya and is domiciled in Kenya.

**37. Events after the Reporting Period**

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

## 20. Appendices

### Progress on follow up of auditor recommendations.

The following is a summary of the issues raised by the Auditor-General and management comments that were provided to the Auditor.

Ref: No.	Issue or observations From Auditor	Management Comments	Status (Resolved /Not Resolved)	Time Frame
1	<p><b>Long Outstanding Trade Receivables</b></p> <p>As previously reported, Note 16 to the financial statements reflects gross trade receivables balance of Kshs.77,822,881 which comprises of Ksh.8,399,482 that fell due between the years 1992 and 2005 and Kshs.69,423,398 from 2006 to date. However, no evidence was provided of efforts made to recover or write off the overdue debts, contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which requires that entities pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the County Government are collected and banked promptly.</p> <p>In the circumstances, the accuracy and recoverability of the long outstanding receivables balance of Kshs.77,822,881 could not be confirmed.</p>	<p><i>The management has deployed various strategies to address the debt issue which includes operationalization of a debt collection unit, disconnection of water services for those on overdue accounts and issuance of demand notices to the defaulting customers. In addition, customers with outstanding debts are engaged and made to enter into debt settlement plans.</i></p>	Not Resolved	30/06/25


<p><b>2</b></p>	<p><b>Un-Valued Land</b></p> <p>The statement of financial position and as disclosed in Note 13 to the financial statements reflects a balance of Kshs.224,584,461 in respect to property, plant and equipment. Included in Kshs.224,584,461 is Kshs.7,507,945 for land which further includes Kshs.340,000 and Kshs.3,300,000 relating to two parcels of land measuring 0.101ha each which were bought in 2013 and 2014 respectively. However, the valuation certificates were not provided for audit review. In the circumstance, the accuracy and valuation of the Kshs.3,640,000 comprising of Kshs.340,000 and Kshs.3,300,000 could not be confirmed.</p>	<p><i>The management complied and obtained land valuation</i></p>	<p>Resolved</p>	<p>30/06/2024</p>
<p><b>Other Matter</b></p>				
<p><b>1.0</b></p>	<p><b>Ethnic Composition.</b></p> <p>Review of the staff payroll revealed that in the year under review, Meru Water and Sewerage Services had a staff establishment of one hundred and eight (108) staff. However, analysis of the establishment revealed that more than ninety-nine (99) or 92% of the staff belonged to the dominant ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act 2008, which states that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>In the circumstances, Management was in breach of the law</p>	<p><i>The management is committed to continually improve ethnic diversity as it places job openings in newspapers of national wide circulation.</i></p>	<p>Not Resolved</p>	<p>30/06/2025</p>

<p><b>2.0</b></p>	<p><b>Non-adherence to Data Protection Act, 2019</b></p> <p>Meru Water and Sewerage Services controls personal information from customers. Interviews conducted revealed that the organization has not registered with the Data Commissioner which poses a risk on the protection of sensitive information. This is contrary to Section 18 of Data Protection Act, 2019 which requires registration of data controllers and data processors. In the circumstances, Management was in breach of the law.</p>	<p><i>The management undertakes to adhere to the Data Protection Act, 2019 in compliance with the law.</i></p>	<p>Resolved</p>	<p>30/06/2024</p>
<p><b>3.0</b></p>	<p><b>Employees in Acting Capacity</b></p> <p>Review of the staff payroll revealed that during the year under review, four (4) staff had been in an acting capacity in various positions. As at 30 June, 2023, the employees had acted for more than six (6) months contrary to Section C.14(1) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016. No plausible explanation was provided on why the posts had not been substantively filled.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>During the financial year in review, the company had four employees on acting capacity whose decision on their acting had not been concluded.</i></p>	<p>Not Resolved</p>	<p>30/06/2025</p>
<p><b>4.0</b></p>	<p><b>Use of Old Water Tariffs</b></p> <p>Review of the Company's records revealed that the Company charged customers based on tariffs approved on 18 July, 2014 that were to be applied from 2014 to 2017. However, the tariffs have since lapsed and the Company has continued to use the</p>	<p><i>The management submitted cost recovery tariff by the Water Services Regulatory</i></p>		



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	<p>same old tariffs for six (6) subsequent years without approval.</p> <p>In the circumstances, the tariffs charged are irregular since the same have not been approved.</p>	<p><i>Board. The proposed tariff is awaiting public consultation</i></p>	<p>Not Resolved</p>	<p>30/06/2025</p>
<p><b>5.0</b></p>	<p><b>Non-Compliance with Fiscal Responsibility Principles on Wage Bill-</b>The statement of profit or loss and other comprehensive income and as disclosed in Notes 8 and 9 to the financial statements reflects amounts of Kshs.111,678,957 and Kshs.104,485,698 in respect to administration and establishment, and selling and distribution expenses respectively which further includes Kshs.56,301,630 and Kshs.33,941,328 all totalling to Kshs.90,242,958 on staff salaries and wages. However, the Company incurred 38% on salaries as a percentage of operation and maintenance cost of Kshs.237,392,410 contrary to Paragraph 3.2 of the performance report of Kenya’s Water Service Sector 2020/2021 from WASREB, issue Number 14/2022 on Performance Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of Operation and Maintenance Cost. In the circumstances, Management was in breach of the WASREB Guidelines.</p>	<p><i>The management clarifies that staff cost versus operation and maintenance cost have been affected by increased cost of living. The company is exploring additional sources of water hence increase revenues</i></p>	<p>Not Resolved</p>	<p>30/06/2025</p>

  
 Patrick Mugendi  
**Managing Director**  
**Date.20/09/2024**



**Appendix II: Projects Implemented by the Company**

Projects implemented by the Company Funded by development partners.

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
Magundu Household Sanitation Project	03HS/TWWDA/MERU/MERU/024	WSTF	Nine (9) months	5,150,247.40	Yes	Yes

**Status of Projects completion**

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
1	Magundu Household Sanitation Project	5,150,247.40	3,205,570	62.2%	3,574,606	3,205,570	Water Sector Trust Fund