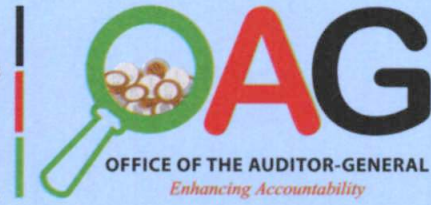


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
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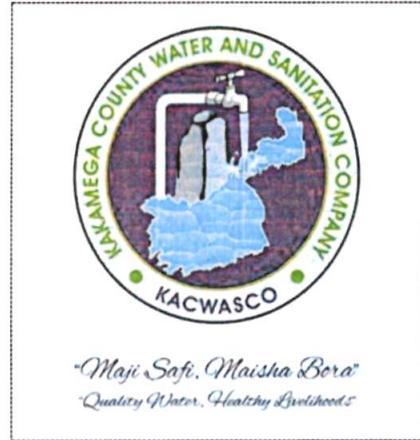
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KAKAMEGA COUNTY WATER AND  
SANITATION COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025

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**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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**Prepared in accordance with the International Financial Reporting Standards (IFRS)**

**Accounting Standards**



**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**1. Acronyms and Glossary of Terms**

|                    |   |
|--------------------|---|
| ICPAK              | Institute of Certified Public Accountants of Kenya  |
| IFRS               | International Financial Reporting Standards   |
| MD                 | Managing Director   |
| PFM                | Public Financial Management   |
| PSASB              | Public Sector Accounting Standards Board  |
| WASREB             | Water Services Regulatory Board   |
| KACWASCO           | Kakamega County Water and Sanitation Company  |
| MD                 | Managing Director   |
| CPA                | Certified Public Accountant   |
| CISA               | Certified Information Systems Auditor   |
| NRW                | Non-Revenue Water   |
| SIBO               | Siaya-Bondo   |
| WSTF               | Water Sector Trust Fund   |
| MMUST              | Masinde Muliro University of Science and Technology                                       |
| ERP                | Enterprise Resource Planning  |
| PGD                | Post Graduate Diploma   |
| UBSUP              | Up-scaling Basic Sanitation for the Urban - Poor  |
| DTF                | Decentralized Treatment Facility  |
| LVNWWDA            | Lake Victoria North Water Works Development Agency  |
| KeNHA              | Kenya National Highways Authority   |
| CLSG               | Conditional Liquidity Support Grant   |
| GWOPA              | Global Water Operations Partnerships Allowance  |
| NEMA               | National Environmental Management Authority   |
| KEWASNET           | Kenya Water & Sanitation Network  |
| LIA                | Low Income Areas  |
| MIS                | Management Information System   |
| GIS                | Geographical Identification Survey  |
| FVTPL              | Fair Value through Profit or Loss   |
| Pro-Poor           | Strategies and measures designed to support low income individuals                        |
| KfW<br>development | Kreditanstalt für Wiederaufbau is a German green climate Fund for sustainable development |

## **2. Key Entity Information**

### **Background information**

Kakamega County Water and Sanitation Company Limited (KACWASCO) was incorporated under the Kakamega County Water and Sanitation Services Act 2021. Kakamega County took over the operations from Lake Victoria North Water Works Development Agency (LVNWWDA) on July 1, 2016, following a separation of the joint operations for water supply between Busia and Kakamega counties. This was brought about by the promulgation of the constitution 2010.

### **Principal Activities**

The services provided by the company are as follows;

- a. Provision of water and sanitation services within Kakamega urban areas.
- b. Operations and maintenance of water and sanitation facilities
- c. Planning, design and development of water and sanitation infrastructure
- d. Managing commercial operations (meter reading, billing, revenue collection, handling customer relations, efficient utilization of revenues)
- e. Extending water distribution and sewer network, or sanitation services to increase coverage
- f. Sourcing, treatment, storage, transmission and distribution of water
- g. Collection, treatment and safe disposal of wastewater to regulatory standards
- h. Conservation of water catchment areas
- i. Water and waste water lab analysis services

**Our Vision:** To be an effective and efficient Water and Sanitation service provider

**Our Mission statement:** Sustainably provide quality, affordable reliable water and sanitation services to our stakeholders in accordance with the statutory regulations.

**Our values:** The mission and vision of the company shall be accomplished and realized by embracing the following core values; Integrity, professionalism and commitment, accountability and transparency, customer focus, equity and teamwork

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Directors**

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

- |                                   |                      |  |
|-----------------------------------|----------------------|--|
| 1. Mr. Boaz Bulimu                | - Chairman           | - Appointed on 7 <sup>th</sup> February 2023   |
| 2. Eng. George Jacob Oroni Odedeh | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 3. Mr. Raphael Milikau Otaalo     | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 4. Mrs. Mary Musula Kundu         | - Director           | - Appointed on 21 <sup>st</sup> April 2021     |
| 5. Mrs. Jane Chebet Mitei         | - Director           | - Appointed on 1 <sup>st</sup> January 2023    |
| 6. Dr. Enock Andanje Musambai     | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 7. Mr. Patrick Chungani           | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 8. Mrs. Mariam Claris Nyongesa    | - Executive Director | - Appointed on 19 <sup>th</sup> September 2023 |
| 9. Dr. Jeophita June Mwajuma      | - Executive Director | - Appointed on 1 <sup>st</sup> January 2023    |

**Company Secretary**

Christabel Ashiono  
P.O. Box 1189 – 50100  
Kakamega

**Registered Office**

Kefinco Complex  
Kakamega-Kisumu Road  
P.O Box 1189 – 50100  
Kakamega.

**Corporate Contacts**

Telephone: Tel: 056-2030355  
Email: kacwasco@gmail.com  
Website: www.kakamega water.go.ke

**Corporate Bankers**

Kenya Commercial Bank  
Kakamega Branch  
P.O. Box 152 - 50100  
Kakamega

Co-operative Bank  
Kakamega Branch  
P.O Box 595 – 50100  
Kakamega

Family Bank  
Kakamega Branch  
P.O. Box 1815 - 50100  
Kakamega

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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National Bank of Kenya  
Kakamega Branch  
P.O. Box 1773  
Kakamega

NCBA Bank Kenya PLC  
Kakamega Branch  
P.O. BOX  
Kakamega

Safaricom M-Pesa Paybill Account

**Independent Auditor**




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

**Principal Legal Advisers**




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

The County Attorney  
County Government of Kakamega  
P.O. Box 36-50100  
Kakamega, Kenya




**3. The Board of Directors**

| Ref | Directors   | Details   |
|-----|---|---|
| 1.  |  <p><b>Mr. Boaz Odemu Bulimu</b></p>           | <p>Bachelor of Education B.Ed. Sc (Kenyatta University)</p> <ul style="list-style-type: none"> <li>-Over 7 years management experience</li> <li>-Teacher</li> <li>-Researcher</li> </ul> <p>Age-64 years</p> <p><b>Chairman of the Board</b></p>  |
| 2.  |  <p><b>Eng. George Jacob Orony Odedeh</b></p> | <p>MBA-Strategic Management (The University of Nairobi), Bachelor of Science in Civil Engineering (The University of Nairobi)</p> <ul style="list-style-type: none"> <li>-Strategic leadership development program</li> <li>-Executive Masters in Business Administration</li> <li>-Water Management in ASALs and EIA</li> <li>Professional Engineer No.A2560</li> <li>-Corporate member No.M3799</li> </ul> <p>Over 7 years management experience<br/>Age-56years</p> <p>Chairman Technical and Environment Committee</p> <p><b>Independent Director</b></p> |
| 3.  |  <p><b>Mr. Raphael Milikau Otaalo</b></p>    | <p>Bachelor of Management and leadership- Human Resource Management (Management University of Africa), Diploma in Horticulture</p> <ul style="list-style-type: none"> <li>-Leadership and Management</li> <li>-Finance and Resource Management</li> </ul> <p>- Over 7 years management experience<br/>Age- 68 years</p> <p>Chairman,-Finance, Human Resource and Administration Committee-</p> <p><b>Independent Director</b></p>   |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|    |  |   |
|----|--|---|
| 4. |  <p><b>Mrs. Mary Musula Kundu, OGW</b></p>  | <p>Master's in Business Administration (University of Nairobi)<br/>         CPA II (Kenya Institute of Management)<br/>         -Corporate Governance(Women on Boards network)<br/>         -International Project Management and Resource mobilization<br/>         -Management of Audit Committees'<br/>         -Strategic leadership program<br/>         -Public Finance Management policy</p> <p>Over 7 years management experience</p> <p>Age- 68 years</p> <p>Chairman, Audit and Risk Assurance Committee</p> <p><b>Independent Director</b></p> |
| 5. |  <p><b>Mrs. Jane Chebet Mitei</b></p>      | <p>-Masters In Curriculum And Instruction</p> <p>Bachelor's Degree In Early Childhood And Primary Education And Religion.(Kampala International University)</p> <p>Peace and conflict management<br/>         HIV/AIDs Counselling and guidance<br/>         Over 5 years management experience</p> <p>Age-53 years</p> <p><b>Independent Director</b></p>  |
| 6. |  <p><b>Dr. Enock Andanje Musambai</b></p> | <p>Master's in Education-M.E.D (Egerton University)</p> <p>Bachelors in Education (Moi University)</p> <p>Leadership and Management<br/>         Teacher</p> <p>Over 5 years management experience</p> <p>Age-57 years</p> <p><b>Independent Director</b></p>   |




**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|    |   |   |
|----|---|---|
| 7  |    | <p>Master's Degree in Project Planning and Management</p> <p>Bachelors of Education English &amp; Business Studies</p> <p>Leadership and management<br/>Teacher</p> <p>Age-57 years</p> <p><b>Independent Director</b></p>  |
| 8. |   | <p>Masters in Crop Protection (Masinde Muliro University of Science and Technology)</p> <p>Bachelor of Education Science (MMUST)</p> <p>Leadership and management<br/>Teacher</p> <p>Over 5 years management experience</p> <p>Age- 39 years</p> <p><b>Executive Director</b></p>         |
| 9. |  | <p>Doctor of Philosophy in Environmental Microbiology</p> <p>Master of Science in Microbiology</p> <p>Post graduate Diploma in Education</p> <p>Bachelor of Science (Botany /Zoology)</p> <p>Over 7 years Management experience</p> <p>Age- 53 years</p> <p><b>Executive Director</b></p> |

**Kakamega County Water and Sanitation Company Limited  
Annual Report and Financial Statements for the year ended June 30, 2025**

|            |  |   |
|------------|--|---|
| <p>10.</p> |  <p><b>Eng. Michael Omondi Ogol</b></p>       | <p>BSc. Water and Environmental Engineering<br/>Member: The International Water Association,<br/>Kenya Engineering Technology Registration<br/>Board, Institute of Engineering Technologist,<br/>Engineers Board of Kenya</p> <p><b>Managing Director</b></p> |
| <p>11.</p> |  <p><b>Ms. Christabel Ashiono (Adv.)</b></p> | <p>MBA – Strategic Management<br/>PGD in Law<br/>Bachelors in Laws</p> <p><b>Principal Legal Officer &amp; Board Secretary</b></p>  |

**4. Key Management Team**

| Ref. | Management   | Details   |
|------|--|---|
| 1.   |  <p><b>Eng. Michael Omondi Ogol</b></p> | <p><b>Managing Director</b><br/>                     BSc. Water and Environmental Engineering<br/>                     Member: The International Water Association,<br/>                     Kenya Engineering Technology Registration<br/>                     Board, Institute of Engineering Technologist,<br/>                     Engineers Board of Kenya</p> |
| 2.   |  <p><b>CPA Eric Wabuyabo</b></p>       | <p><b>Commercial &amp; Finance Manager</b><br/>                     M.A (Economics) University of Nairobi,<br/>                     Certified Public Accountant of Kenya, CISA,<br/>                     Member of ICPAK</p>  |
| 3.   |  <p><b>Eng. Celsus Shilehwa</b></p>   | <p><b>Technical Manager</b><br/>                     MSC, Water Resources Engineering<br/>                     Master of Arts, Project Planning and<br/>                     Management,<br/>                     BSc. Water and Environmental Engineering</p>  |

**Kakamega County Water and Sanitation Company Limited**  
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|           |   |   |
|-----------|---|---|
| <p>4.</p> |  <p><b>Ms. Anne Linda Ongadi</b></p>           | <p><b>HR &amp; Administration Manager</b></p> <p>MSC HRM, Bachelor’s Degree in Business Management (HRM Option)<br/> Diploma in Business Administration</p> |
| <p>5.</p> |  <p><b>Ms. Christabell Ashiono (Adv.)</b></p> | <p><b>Principal Legal Officer &amp; Board Secretary</b></p> <p>MBA – Strategic Management,<br/> PGD in Law<br/> Bachelors in Laws</p>                       |

## **5. Chairman's Statement**

### **Economic Outlook**

I am greatly honoured to present the statement for the financial year ending 30<sup>th</sup> June 2025 as the Chairman of Kakamega County Water & Sanitation Company. Despite the micro-economic uncertainty and reduced donor support, the business remained resilient during the year. Of concern was the creeping inflation that has significantly increased our average production costs, increase in taxes due to the introduction of the housing levy, general increase in prices of our key operating supplies that in turn led to high cost of sales, operating and maintenance costs. The other key concern is the high non-revenue water percentage despite the relentless efforts and strategies put in place to reduce it to sector standards. I'm however happy to report that despite these challenges we are confident that we are better placed to manage the shifting economic landscape.

### **Corporate Governance**

Having a solid governance framework is key to rebuilding trust and transparency. With the help of our partners, we have been privileged to conduct several trainings for all members charged with governance responsibility. There has been a renewed focus on corporate governance and the Board has spent a significant proportion of its time examining and strengthening structures and processes throughout the organization. I confirm that the Board now has the right balance of skills, experience and background to support and oversight Management team. The Board has also approved various policies to provide a legal framework for internal processes and controls.

### **Performance Contracting**

The Board chair signed the Performance Contract with the County Executive Committee Member for Water, Environment and Natural Resources. The targets set include expanding water and sanitation connections by 5000. We report that the company realized over 1200 new connections and activated over 3000 previously disconnected accounts during the financial period under audit.

### **Profit before tax**

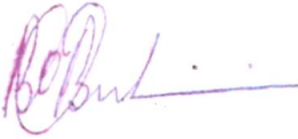
In the year under review, the Board enforced the implementation of a turn-around strategy to guide the Company's return to sustainable profitability and growth. The strategy is premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management, and reducing system losses. The net loss reduced from Kshs. 5.4 million to Kshs.316,430 in the period under audit.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Appreciations**

I wish to acknowledge and appreciate the immense and unequivocal goodwill and leadership that has been demonstrated by His Excellency the Governor as we undertake these important and transcendental reforms. I would also like to appreciate the support offered by the able and committed Board members, our shareholders, customers, partners and staff. We are committed to building on the recent achievements to continuously improve our operations and products, ensure efficiency, financial stability and viability, and offer world class services to our esteemed customers.



**Boaz Bulimu**  
**Chairman, Board of Directors**

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

Allow me to open my statement with our motto “Amatsi..Khumuliango!” (Translated water at the door step). I am pleased to share with you the business performance highlights for the year ended 30<sup>th</sup> June 2025 and give insights to key areas of our operations that underlies the reported financial performance.

### **Partnerships**

The Main partners for KACWASCO include but not limited to County Government of Kakamega, County Assembly of Kakamega, The Senate, Water Consumers, The Public/Voters, WASREB, Water Sector Trust Fund (WSTF), USAID, Lake Victoria North Water Works Development Agency (LVNWWDA), KEWASNET, Women in Water and Conservation, Nature for Conservancy, GWOPA, WASPA, Water Integrity Network and local Banks. This has led to financial support and goodwill from the County government, WSTF for water infrastructure development. During the year, the company was awarded a trophy for being the best performing Water Company under the Lake Victoria North Region

### **Strategic Plan**

Failing to plan is planning to fail. The company management has spearheaded the review of its 2021-2026 strategic plan with a goal to align it to the Kakamega County Integrated Development Plan. The same plan is aligned to the performance contracts signed between the MD and the entire staffing fraternity with the goal of improving transparency, operational efficiency and accountability.

### **Technological Progress**

Management continues to enhance operation efficiency in all departments by implementing a robust Enterprise Resource Planning system (ERP). Customer complaints and bill issuance is entirely electronic. These platforms have enhanced seamless interaction with our customers and ensures timely complaint resolution.

### **Tariff Review and implementation**

The company was issued an approved tariff in January 2022 which was indexed in the 2023/2025 to cover economic inflationary pressures. As a result the company reported improved revenues on the application of the tariff.

### **Creditors Management**

The management has come up with a payment plan for all long outstanding creditors and the current ones. This is aimed to restore suppliers' confidence in the Company and reduced creditors. The outstanding trade payables as at 30<sup>th</sup> June 2025 is Kshs. 465.6 Million compared to Ksh.671.9 Million the previous year as a result of leaving out long term loans of Kshs. 381.4Million.

### **Debtors Management**

The company has experienced a rise in accumulating debtor balances which amounted to Kshs. 367 Million down from 330 Million in the previous period. To address this challenge, management has adjusted genuine billing anomalies, consistently disconnected consumers with debt older than three months and or entered part payment agreements and issued demand letters to institution.

### **Key Successes**

**Expanding Water Access in Kakamega:** In collaboration with the Kakamega County Government , H.E. Governor FCPA Fernandes Barasa commissioned the revival of Savona Treatment Plant. The project will inject 6,000 m3 of water per day in Kakamega.



*A site visit of Savona Water Treatment Works- H.E FCPA Fernandes Barasa, CS FCPA Mbadi and Team (2025)*

**Strengthening Governance for Improved Service:** The County Government of Kakamega has ensured the Company has a fully functional board of directors, with diverse representation by gender, ethnicity and local communities to ensure transparent and accountable decision-making. The board has also received training from various facilitators on governance as per the established Board Calendar.

**Kakamega County Water and Sanitation Company Limited**  
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**Strategic Planning for Long-Term Success:** The KACWASCO board has approved and launched a strategic plan (2021-2026) and various policies to guide the company's operations for the coming years. This plan sets a clear vision for the future and ensures efficient service delivery.

**Building Trust and Recognition:** KACWASCO's commitment to excellence has been recognized by WASREB, the water regulator. The company secured a five-year license, demonstrating the regulator's confidence in KACWASCO's service provision. Additionally, KACWASCO has been awarded the titles of "Best Improved Utility", "Best Utility in Lake Victoria North Region," "Best Stand in water and waste water services' by WASREB and Agricultural Society of Kenya (ASK), hence placing it among the top water service providers in Kenya.



**Investing in Sanitation:** KACWASCO, partnering with the county government and WSTF, signed MoU to construct 200 SafiSan Toilets and a Decentralized Treatment Facility (DTF) in Shitoli. This project will significantly improve sanitation services in the area, promoting public health and environmental well-being.

### **Key Challenges**

Despite the fact that Kakamega County Water and Sanitation Company is endowed with abundant water resources with potential for serving the entire population of the area of operation, water service coverage still stands at 82%. The challenges include;

**Production bottlenecks:** (a) Inadequate water production due to aged / abandoned water treatment plants, inadequate/ dilapidated water storage reservoirs, frequent breakdowns and frequent power outages leading to break down / shut down of electromechanical systems hence water rationing. (b) High water pumping electricity bills. (c) High levels of NRW due to estimate both production volumes and consumer consumptions and, (d) Underutilization of Nambacha water treatment plant due to low investment in last mile connectivity.

**Staffing:** The Company has 186 number of staff. The recommended industry requirement is 5 per 1000

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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connections. KACWASCO has 18,000 active water connections and hence is expected to have an optimal staff number of 90. Staff costs stand at 49% of company revenues against required rate of 30% or less. This situation has constrained the company in engaging in expansion programs since the bulk of its revenues are consumed on staff costs.

**Conclusion**

On behalf of management, I wish to thank the Board of Directors of Kakamega County Water Sanitation Company for its prudence, guidance and direction to the business and employees. I wish to express my appreciation to the entire staff for their dedication and support to the Company and its processes.

I also appreciate our trade customers and suppliers for the unwavering support to the business. Let's continue working as a team to ensure that KACWASCO achieves its goals as envisaged in our Mission and Vision.



**Eng. Michael Ogol**  
**Managing Director**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**7. Statement Of Performance Against Predetermined Objectives for FY 2024/2025**

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.

Kakamega County Water and Sanitation Company Limited has 6 strategic pillars and objectives within the current Strategic Plan for the period 2021-2026. These strategic pillars are as follows:

Pillar 1: Non- Revenue water Management

Pillar 2: Operational efficiency, customer service and pro poor

Pillar 3: Financial stewardship and sustainability

Pillar 4: Institutional strengthening and capacity building

Pillar 5: Water and sanitation infrastructure

Pillar 6: Monitoring and evaluation

Kakamega County Water and Sanitation Company Limited develops its annual work plans based on the above 6 pillars. Assessment of the Board’s performance against its annual work plan is done on a yearly basis. The Kakamega County Water and Sanitation Company Limited achieved its performance targets set for the period 2021-2026 under its 6 strategic pillars, as indicated in the diagram below:

| Strategies                          | Expected outcomes    | Activities  | Output indicator                               | Current implementation status                               |
|-------------------------------------|----------------------|---|--|---|
| Establish a NRW management policy   | Reduced NRW          | Develop and implement NRW management policy and strategy  | Approved NRW management policy and strategy    | Done  |
| Quick detection of leaks and bursts | Reduced physical NRW | To update all company pipe networks in the GIS system     | 100% of pipe network mapped in the GIS system  | 80 % mapped   |
|                                     |                      | Purchase and install leak detectors and pressure loggers  | Purchased Detectors and pressure loggers       | Purchased leak detectors, pressure loggers pending purchase |
|                                     |                      | Prompt repair of identified leaks and bursts              | Time taken to repair reported leaks and bursts | Reported quarterly  |
|                                     |                      | Develop TOR for line patrol and Conduct daily Line Patrol | No. of patrols and monthly reports submitted   | Monthly reporting   |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|                                 |                        |   |  |  |
|---------------------------------|------------------------|---|--|--|
| Enhance meter accuracy          | Reduced commercial NRW | Purchase Meter Test bench   | Meter test bench purchased.                  | Pending assembling                     |
|                                 |                        | Conduct monthly ad hoc meter checks and routine patrols along the NRW hotspots            | No. of Adhoc meter checks and patrol reports | Monthly reporting                      |
|                                 |                        | Perform meter testing and calibration.  | 100% of meters tested and calibrated         | Quarterly report                       |
|                                 |                        | Service faulty and stuck water meters   | No. of serviced old meters                   | Quarterly report                       |
|                                 |                        | Locate and raise meters   | No. of meters located and raised             | Quarterly report                       |
|                                 |                        | Replace 50% of the zonal meters and bulk to manage the District Metering Areas (DMAs)     | 50% of zonal meters re- placed               | DMAs mapped out. Meters to be procured |
|                                 |                        | Install production and master meters to monitor NRW levels                                | Production and master meters fully installed | Pending purchase                       |
| Ensure 100% Metering            | Reduce Commercial NRW  | Install Meters for all new customers  | No. of new meters in- stalled                | Monthly installation of 500 meters     |
| Strengthen capacity of NRW unit | Reduced commercial NRW | Identify training needs and conduct training of meter readers/ artisans on NRM management | No. of trainings conducted                   | Done for the FY 2024/25                |
| Strengthen capacity of NRW unit | Reduced commercial NRW | Identify training needs and conduct training of meter readers/ artisans on NRM management | No. of trainings conducted                   | Done for the FY 2024/24                |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|   |   |   |  |  |
|---|---|---|--|--|
|   |   | Conduct inductions for new artisans Recruited                       | No. of inductions conducted                            | Done for the FY 2023/24                        |
| Reduce illegal connections                                    | Reduced commercial losses<br>Reduced illegal connection | Track illegal connections and apprehend offenders                   | No. of illegal connections regularized                 | Quarterly reports                              |
|   |   | Sensitize customers on responsibility to report illegal connections | Number of sensitization forums or activities conducted | Quarterly reports                              |
|   |   |   | Number of illegal connections reported by customers    | Quarterly reports                              |
|   |   | Random inspection of disconnected/ inactive accounts                | Inspection reports on disconnected accounts            | Quarterly reports                              |
| Develop an accurate customer database                         | System clean up   | Develop and install NRW MIS   | NRW MIS developed and installed                        | In progress                                    |
|   |   | Clean up and update customer database                               | Customer database updated                              | 20% Done                                       |
| Reduce interruption of water and sanitation services          | Continuous provision of water and sanitation services   | Prompt response to disruption of water and sanitation services      | Number of timely responses to disruptions              | Quarterly reports                              |
|   |   | Setup a call Centre to receive and respond to customer queries      | Call Centre established                                | Set up in progress                             |
| Ensure constant maintenance and replacement of faulty System. | Reduced disruption in service delivery                  | Develop and implement a network maintenance schedule                | Maintenance schedule in place                          | Schedule developed, implementation in progress |
|   |   | Continuous supplies/ availability of materials                      | Pay suppliers promptly                                 | No. of promptly supplied materials             |
| Automation of all business operations                         | Improved efficiency in all business operations          | Purchase an Enterprise Resource Planning (ERP) system               | ERP system in place                                    | ERP system purchased                           |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|                            |                   |  |   |  |
|----------------------------|-------------------|--|---|--|
|                            |                   | Operationalization of ERP modules/ components                        | 100% operationalization of the ERP- Finance & Accounting module, procurement, NRW, production | In progress  |
|                            |                   | Purchase all required ICT equipment for ERP operationalization       | All required ICT equipment acquired   | In progress  |
|                            |                   | Integrate all business operations into the ERP system                | All business operations integrated  | Done   |
|                            |                   | Conduct training on ERP for all relevant staff                       | All relevant staff trained  | Done   |
|                            |                   | Develop ICT policy, governance standards and Master plan             | ICT Policy 2022 developed and Procedures Standardized   | In progress  |
|                            |                   | Setup Internet Connectivity to all schemes                           | All schemes' stations fully connected with Internet   | In progress  |
|                            |                   | Train all staff on ICT operations                                    | Trainings reports   | Done FY 2023/24  |
| Grow and retain customers. | Increased revenue | Increase number of customers connected from 25,000 to 45,000 in 2026 | No. of new customers connected  | So far 1,688 new customers have been connected since July 2021 |
|                            |                   | Conduct scheme and area- based marketing campaigns                   | Quarterly marketing campaign reports  | Marketing and communication plan in place.                     |
|                            |                   | Target and connect new Large consumers                               | No. of new large consumers connected  | Quarterly report   |
|                            |                   | Develop and operationalize a customer retention plan                 | Customer retention plan operationalized   | Customer retention plan developed                              |
|                            |                   | Conduct monthly marketing campaigns                                  | Market campaign reports-under- take schemes targeted out-reach activities                     | Marketing and communication plan document in place             |

**Kakamega County Water and Sanitation Company Limited**  
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|   |  |   |   |  |
|---|--|---|---|--|
| Improve meter reading accuracy  | Increased revenue                                | Organize meter reading areas into equal zones                                   | Meter reading zones established   | In progress                                    |
|   |  | Map all meters onto the GIS   | Number of meters mapped onto GIS  | 100% done                                      |
| Enhance customer satisfaction levels  | Satisfied customers                              | Revise customer service charter   | Customer service charter revised  | Done   |
|   |  | Operationalize revised customer service charter                                 | Customer service charter operationalized  | Done   |
|   |  | Respond promptly to customer issues as per service charter                      | No. of customer queries re- solved as per service charter                                   | Quarterly report                               |
|   |  | Conduct regular customer satisfaction survey                                    | Customer satisfaction survey reports  | In progress                                    |
|   |  | Train staff on customer care  | No. of Trainings conducted  | Done for FY 2023/24                            |
| Provide reliable, affordable and sustainable access to safe drinking water to people living within the urban low-in- come areas | Enhance water service provision within LIAs      | Construction of 6 water kiosks  | No of new constructed water kiosks  | MOU with WKWP and activities co created        |
|   |  | Annual Rehabilitation and replacement of old, dilapidated distribution lines    | No of old and dilapidated distribution lines rehabilitated or replaced                      | Quarterly reporting on the lines rehabilitated |
|   |  | Annual Extension of 1km water distribution networks                             | No of new water distribution lines laid   | Quarterly reporting                            |
|   |  | Connection of 200 new customers   | No. of new customers connected  | Quarterly reporting                            |
| Provide reliable, afford- able and sustainable access to basic sanitation to people living within the urban                     | Enhance sanitation service provision within LIAs | Partner with other organizations which provide alternative sanitation solutions | No of partner- ships with other organizations which provide alternative sanitation solution | Quarterly reporting                            |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|   |                                     |   |   |   |
|---|-------------------------------------|---|---|---|
| low-in- come areas by 2 %annually                                   |                                     |   |   |   |
|   |                                     | Construction of 1 no. de-centralized treatment facility                               | New decentralized treatment facility constructed                  | Resource mobilization in progress   |
|   |                                     | Extension of 1km sewer line networks  | Number of new sewer Connections                                   | Quarterly reporting   |
|   |                                     | Construction of 200 onsite sanitation facilities within LIAs                          | No. of onsite sanitation facilities constructed within LIAs areas | Resource mobilization in progress   |
|   |                                     | Conduct a survey to establish the sanitation needs and impact to the low-income areas | Survey report<br>Demand creation awareness campaign reports       | MOU with WKSP executed<br><br>Implementation of co-created activities to be under-taken |
| To reduce NRW in low-income settlements.                            | Reduced NRW                         | Mitigating water theft through installation of 200 household connections              | No of household connection done.                                  | Quarterly reporting   |
|   |                                     | Elimination of illegal water connection   | No of illegal water connections regularized                       | Quarterly reporting   |
|   |                                     | Replacement and servicing of faulty meters 100%                                       | No of faulty meters serviced                                      | Quarterly reporting   |
|   |                                     | Rehabilitation of dilapidated water supply network                                    | No, of dilapidated water pipeline rehabilitated                   | Quarterly reporting   |
|   |                                     | Streamlining of water kiosks vendors through 100% signing of contracts                | No. of signed water kiosk contracts with the vendors              | Quarterly reporting   |
| To become customer centric by focusing on pro-poor service delivery | Improve quality of life in the LIAs | Promoting stakeholder engagement ,marketing, community outreach and                   | Reports on activities/engagements                                 | Quarterly reporting   |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

|  |                           |  |  |  |
|--|---------------------------|--|--|--|
|  |                           | participation in pro-poor services   |  |  |
|  |                           | Develop a social connection policy to ensure affordability to the LIAs                   | Approved social connection policy                                      | Policy approved by the BOD   |
|  |                           | Develop a Pro-poor strategic plan in line with the WSTF guidelines                       | Approved pro-poor strategic plan                                       | Strategy approved by the BOD   |
|  |                           | Review and implement the pro-poor policy to be in line with the company's strategic plan | Approved reviewed pro-poor policy                                      | Pro poor policy reviewed   |
|  |                           | Prompt, complete and proactive resolution of complaints from LIA customers               | No of complaints resolved<br>Reports on 24 hours resolve of complaints | quarterly reporting  |
| Ensure 100%-meter reading                  | Increased revenue         | Use mobile technology to read and transmit meter readings                                | 100% adoption of mobile technology/meter reading                       | In progress  |
| Review water and sewerage tariff structure | Increased revenue         | Evaluate effectiveness of existing tariff structure                                      | Indexed tariff   | Indexed Tariff gazetted to be implemented effective January 2025       |
|  |                           | Conduct stakeholders' participation in tariff review                                     | Stakeholders' participation report                                     | Public participation conducted and tariff approved, gazetted by WASREB |
|  |                           | Implement new tariff structure   | New tariff fully applied   | Tariff fully implemented   |
| Diversify revenue sources.                 | Increased revenue streams | Identify alternative revenue sources.  | Additional revenue sources identified and documented.                  | In progress  |

## **8. Corporate Governance Statement**

Corporate governance is the process and structure by which Companies are directed, controlled and held accountable in order to achieve long term value to stakeholders

For effective governance the Board recognizes that even though it has delegated the daily running of the business to the management team, the Board is ultimately and fully responsible for the way the Company is managed. The Board is therefore actively engaged in leading the Company and is confident that there is an effective system of Corporate Governance in place.

The Board of Directors of Kakamega County Water Sanitation Company (hereinafter KACWASCO) is responsible for the governance of the Company and accountability to its shareholders and stakeholders in ensuring that the Company complies with the laws and the highest standards of business ethics and corporate governance. Accordingly, the Board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

### **Board of Directors**

The roles and functions of the Chairman and the Chief Executive Officer are distinct and their respective responsibilities clearly defined. The Board comprises of nine (9) Directors seven (7) of whom are non-executive directors including the Chairman. Alternate Directors from the parent ministry and County Treasury also sit in the Board. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Directors bring a wealth of experience and knowledge in various fields of expertise.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to Management through the Chief Executive Officer. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for effective control over the Company.

The Company's Principal Legal Officer who is also the Board's Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements. The Principal Legal Officer offers secretarial services at all Board meetings/functions.

**Kakamega County Water and Sanitation Company Limited**  
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**Board Meetings**

The Board holds meetings on a quarterly basis while special meetings are called when it is deemed necessary to do so in order to handle a back log or an urgent matter that cannot otherwise await a normal Board meeting. The meetings that were held by the Board are as per the table below:

| No | Item  | No. of Meetings held FY 2024/2025 |
|----|---|-----------------------------------|
| 1  | Finance & Strategy Committee                                    | 4                                 |
| 2  | Audit, Risk & Governance Committee                              | 4                                 |
| 3  | Technical Committee   | 4                                 |
| 4  | Corporate services, resource mobilization, legal and governance | 3                                 |
| 5  | Special Full Board  | 4                                 |
| 6  | Full Board  | 4                                 |
| 7  | Board Induction   | 1                                 |
| 8  | Board Evaluation  | 1                                 |
| 9  | Stakeholder's Forum   | 1                                 |
| 10 | AGM   | 1                                 |

**Committees of the Board**

The Board has set up the following Board Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in the discharge of its mandate and obligations;

**(i) Audit, Risk and Governance Committee**

The Board Audit Committee by extension is mandated to ensure the fulfilment of corporate governance practices as outlined in the Mwongozo Code of Governance for Companies.

**Members of Audit, Risk and Governance Committee**

| No | Name                | Position in the Committee |
|----|---------------------|---------------------------|
| 1  | Mrs. Mary Kundu,OGW | Chairperson               |
| 2  | Mrs. Jane Mitei     | Member                    |
| 3  | Mr. Enock Andanje   | Member                    |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**(ii) Finance and Strategy Committee**

The committee assists the Board in fulfilling its oversight responsibilities relating to the Company's finance, procurement, investment strategies, monitor project implementation and related activities.

**Members of Finance & Strategy Committee**

| No | Name                 | Position in the Committee |
|----|----------------------|---------------------------|
| 1  | Hon. Raphael Otaalo  | Chairman                  |
| 2  | Mr. Patrick Chungani | Member                    |
| 3  | Dr. June Mwajuma     | Member                    |

**(iii) Technical Committee**

The Committee assists the Board in fulfilling its oversight activities such as Non-Revenue Water, Water quality, monitor production, network expansion and maintenance and related activities.

**Members of Technical Committee**

| No | Name                 | Position in the Committee |
|----|----------------------|---------------------------|
| 1  | Eng. George Odedeh   | Chairman                  |
| 2  | Mrs. Jane Mitei      | Member                    |
| 3  | Mrs. Mariam Nyongesa | Member                    |

**(iv) Corporate Services, Resource Mobilization, Legal and Governance Committee**

The Committee assists the Board in developing resource mobilization strategies building donor relations, managing financial resources and establishing strong Governance and accountability framework.

**Members of Corporate Services, Resource Mobilization, Legal and Governance Committee**

| No | Name                 | Position in the Committee |
|----|----------------------|---------------------------|
| 1  | Mr. Patrick Chungani | Chairman                  |
| 2  | Mrs. Mary Kundu ,OGW | Member                    |
| 3  | Mrs. Jane Mitei      | Member                    |
|    | Mr. Enock Andanje    | Member                    |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**9. Management Discussion and Analysis**

**Budget Absorption**

| Description | Budget<br>2024/2025 | Actual<br>2024/2025 |
|-------------|---------------------|---------------------|
| Sales       | 403,225,000         | 371,285,595         |

**Actual Operating Cost**

| Description     | Actual<br>2024/2025<br>(Kshs) | Actual<br>2023/2024<br>(Kshs) |
|-----------------|-------------------------------|-------------------------------|
| Operating Costs | 380,479,642                   | 369,232,545                   |

The increase in operating cost went up because of the increased inflation rates and the company didn't receive grant from the county government to boost its operation.

**Net Profit / (Loss)**

| Description       | 2024/2025<br>(Kshs) | 2023/2024<br>(Kshs) |
|-------------------|---------------------|---------------------|
| Net Profit/(Loss) | (316,430)           | (5,400,381)         |

The decrease in loss in the FY 2024/2025 was majorly attributed to increase in operating revenue of the company.

**Sales**

| Description | 2024/2025<br>(Kshs) | 2023/2024<br>(Kshs) |
|-------------|---------------------|---------------------|
| Sales       | 371,285,595         | 357,905,633         |

The increase in sales during the year was contributed to by favourable change of tariff which saw the company increase its billing.

**Cost of Sales**

| Description   | 2024/2025<br>(Kshs) | 2023/2024<br>(Kshs) |
|---------------|---------------------|---------------------|
| Cost of Sales | 36,517,914          | 32,883,086          |

Increase in cost of sales was occasioned by increase in production during the year.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**10. Environmental and Sustainability Reporting**

**i) Sustainability strategy and profile**

Kakamega County Water Sanitation Company recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. We remain firmly committed to courses that positively impact our society and influence sustainability of our business. The company is committed to implement Sustainable Development Goal 6 (SDG 6) by focusing on ensuring availability and sustainable management of water and sanitation for all. Key aspects include:

- Access to Safe Water: Ensuring that everyone has access to safe and affordable drinking water.
- Sanitation and Hygiene: Promoting access to adequate and equitable sanitation and hygiene facilities.
- Water Quality Improvement: By 2030, improving water quality by reducing pollution and minimizing the release of hazardous chemicals.
- Water Management: Increasing water-use efficiency to ensure sustainable water withdrawals and supply.
- Community Inclusion: Strengthening the participation of local communities in water and sanitation management.

These efforts are critical for the health of people and the planet, addressing challenges like water scarcity and pollution.

**ii) Environmental performance**

During the year, management supported a number of environmental conservation activities including but not limited to;

- i. Tree planting in all our service coverage areas
- ii. Protection of River Yala banks- Source of water supplied to Kakamega
- iii. Rehabilitation of Savona Water Treatment Works with Solar Panels (Phase 1 Cost Estimated Kshs. 15 Million)
- iv. Replaced asbestos roofing with iron sheets at Savona Treatment Plant.
- v. Installed power correcting capacitors in all its electrical installations
- vi. Raised water sewer manholes and covers to address flooding problems
- vii. Implemented legislation on climate action by the County Assembly of Kakamega.
- viii. Rehabilitation of Nabongo Sewer network to address frequent sewer spillage

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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ix. Paid Environmental levies to NEMA

x. In an effort to embrace a paperless work environment, the company has automated its procurement, billing and customer complaint processes through an ERP system.

xi. Replaced asbestos cement water pipelines with HDPE pipes that are climate friendly.

xii. Established tree nurseries at all its water sources. Mature seedlings shall be donated to our customers during meter reading activities

xii. Installed Burnt sun inverter at Butere lower market borehole.

xiii. Procured HDPE pipes that are flood resilient and not prone to frequent bursts

ix. Adopted paperless Enterprise Resource Planning technology.

x. Solarized the Otiende borehole through the partnership with Davis & Shirtliff

The company has set aside a budget to undertake the following environmental conservation initiatives:

a) Rehabilitate the hydro turbines in Tindinyo to help save on power costs.

b) Relocation of Savona Treatment Intake upstream to utilize gravity flow instead of power pumping

The above therefore demonstrates a firm commitment by the company to contribute towards climate resilience



*Newly installed Solar Panels at Savona Water Treatment Works (April 2025)*

**iii) Employee welfare**

The company has reviewed and implemented policies guiding the hiring process that take into account the gender ratio (male, female), youth and PWD. Further, an annual stakeholder engagement and training needs plan is in place to improve service delivery and staff competencies. There is a policy on safety and compliance with Occupational Safety and Health Act of 2007.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Market place practices-**

Management has ensured the following:

**a) Responsible competition practice.**

KACWASCO has put in place policies on anti-corruption. There is a committee in place to deal with customer complaints and matters corruption. Further the company adopted a cashless payment system.

**a) Responsible supply chain and supplier relations**

KACWASCO has entered procurement contracts and has ensured timely payment of procured items. Pre-qualification of suppliers is done every two years and ensured 30% of contracts are set aside for youth and people living with Disabilities. An annual procurement plan is prepared to guide the procurement process.

**b) Responsible marketing and advertisement or Responsible engagement with the citizens.**

The company has a customer care section that conducts sensitization of all consumers on tariff administration and new connections. Further, management periodically advertises its services on established social media platforms and conducts radio shows.



*Public sensitization in Mumias Sub county (May 2025)*

**c) Product stewardship or Awareness creation**

The company has adopted data privacy guidelines and ensures confidentiality of customer information.

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

During the year, the company has in collaboration with several state actors supported tree planting initiatives in Kakamega Forest and the Tindinyo ecosystem. Further, management has consistently engaged students from neighbouring TVET and University Institutions for industrial attachment.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**11. Report Of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of the Company are;

- a. Provision of water and sanitation services within Kakamega urban areas.
- b. Operations and maintenance of water and sanitation facilities
- c. Planning, design and development of water and sanitation infrastructure
- d. Managing commercial operations (meter reading, billing, revenue collection, handling customer relations, efficient utilization of revenues)
- e. Extending water distribution and sewer network, or sanitation services to increase coverage
- f. Sourcing, treatment, storage, transmission and distribution of water
- g. Collection, treatment and safe disposal of wastewater to regulatory standards
- h. Conservation of water catchment areas
- i. Water and waste water lab analysis services

**ii) Results**

The results of the company for the year ended June 30, 2025 are set out on page 1. Below is summary of the profit or loss made during the year.

| <b>Results</b>                         | <b>2024/2025</b>   | <b>2023/2024</b>   |
|--|--------------------|--------------------|
|  | <b><u>Kshs</u></b> | <b><u>Kshs</u></b> |
| <b>Net Profit/ (Loss) for the year</b> | <b>(316,430)</b>   | <b>(5,400,381)</b> |

**iii) Dividends**

The company has not declared dividends for the year ended June 30, 2025 because it has not made any profits and the Directors have not proposed any.

**iv) Directors**

The members of the Board of Directors who served during the year are shown. In accordance with the company's Articles of Association.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**v) Auditors**

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

By Order of the Board

  
.....  
**Ms Christabel Ashiono**

**Secretary to the Board**

**Date:** ..... 28/10/2025 .....

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**12. Statement Of Directors' Responsibilities**

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

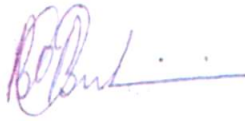
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**Statement Of Directors' Responsibilities (Continued)**

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

**Approval of the financial statements**

The company financial statements were approved by the Board on 28/10/ 2025 and signed on its behalf by:



.....

**Mr. Boaz Bulimu**  
**Chairperson of the Board**



.....

**Eng. Michael Ogol**  
**Managing Director**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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- 13. Report of the Office of The Auditor General for the financial statements of Kakamega County Water and Sanitation Company Limited.**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025**

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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; and,
- 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 Kakamega County Water and Sanitation Company Limited set out on pages 1 to 68, which comprise of the statement

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*Report of the Auditor-General on Kakamega County Water and Sanitation Company Limited For the year ended 30 June, 2025*

of financial position as at 30 June, 2025 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 Kakamega County Water and Sanitation Company Limited as at 30 June, 2025 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 Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unaccounted for Grants Income**

The statement of profit or loss and other comprehensive income reflects grants income amounting to Kshs.3,933,478 which, as disclosed in Note 7 to the financial statements relates to grants from other agencies, being grants from the Water Sector Trust Fund. However, the financial statements of the County Executive of Kakamega for the year ended 30 June, 2025 indicates transfers to Kakamega County Water and Sanitation Company Limited amount of Kshs.5,000,000 which has not been accounted for by the Company.

In the circumstances, the accuracy and completeness of the grants income amounting to Kshs.3,933,478 could not be confirmed.

#### **2. Unsupported Loan Balance**

The statement of financial position reflects long-term payables balance of Kshs.34,034,921 as disclosed in Note 27 to the financial statements. The balance includes Kfw Nil balance, World Bank-Mumias Nil balance, World Bank-Lumakanda Nil balance, Motor Vehicles balance of Kshs.4,422,372 and Lake Victoria North Water Works Development Agency (LVNWWDA) balance of Kshs.29,612,549.

The previous year audited financial statements for the year ended 30 June, 2024 indicates loan balance totaling Kshs.408,678,432 as 30 June, 2024. However, the reduction of the loan balance by Kshs.374,643,511 from the opening balance of Kshs.408,678,432 as at 1 July, 2024 and the closing balance of Kshs. 34,034,921 as at 30 June, 2025 has not been supported by relevant documentation.

In the circumstances, the accuracy and completeness of long-term payables balance of Kshs.34,034,921 could not be confirmed.

### **3. Unsupported Loan Revaluation Balance**

The statement of financial position reflects loan revaluation balance of Kshs.376, 941,840 which, as disclosed in Note 25 to the financial statements includes KfW balance of Kshs.38,387,465, World Bank-Mumias balance of Kshs.275,541,203 and World Bank-Lumakanda balance of Kshs.63,013,172. Information available indicate that the balances are in respect of the three loans balances excluded from the financial statements for the year ended 30 June, 2025. However, no supporting evidence or basis was provided which informed Management to exclude these loans from the financial statements. Further, no documentary evidence was provided for audit review indicating the loans had been waived or repayment obligation transferred to another entity.

In the circumstances, the accuracy and completeness of the loan revaluation balance of Kshs.376, 941,840 could not be confirmed.

### **4. Unsupported Refundable Customers Deposits**

The statement of financial position reflects refundable customer deposits balance Kshs.6,249,642 as disclosed in Note 29 to the financial statements. Review of water management records indicated that the Company charges water connection fee at a rate of Kshs.2,500, implying that the refundable customers deposits balance only represented approximately 2,500 customers. However, the Company's customer listing indicated that the Company had 37,744 customers during the year under review. Further, Note 20 to the financial statements indicates deposit account bank balance of Kshs.1,448,610 resulting to unexplained variance of Kshs.4,801,032.

In the circumstances, the accuracy and completeness of the refundable customer deposits balance of Kshs.6,249,642 could not be confirmed.

### **5. Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a net operating loss of Kshs.316,430 and Kshs.5,400,381 for the current and previous financial year 2023/2024. In addition, the statement of changes in equity reflects a negative retained earnings amount of Kshs.381,408,228. This state of affairs indicates a severe financial challenge facing the Company which raises significant doubt on its ability to operate as a going concern.

In the circumstances, the Company's continued existence as a going concern is dependent on the financial support from its creditors and the Government.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Water and Sanitation Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in

Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects receipts final budget and actual on comparable basis of Kshs.418,510,278 and Kshs.380,163,212 respectively, resulting to under-funding of Kshs.38,347,066 representing 9% of the budget. Similarly, the statement reflects recurrent actual expenditure totaling to Kshs.380,479,642 against a budget of Kshs.403,466,598 resulting to under absorption of kshs.22,986,959 or 6% of the budget. Further, the statement reflects final capital expenditure budget of Kshs.15,043,680 and actual on comparable basis of Kshs.10,295,518 resulting to under-expenditure of Kshs.4,748,162 representing 32% of the budget.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters 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 Audit Matters**

In the report for the previous year, several issues were raised under the Report on the Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance, as detailed in **Appendix 1**. However, Management has not resolved the issues or given any explanation for the delay in resolving the issues.

### **Other Information**

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

Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information 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 Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Compliance with Law on Staff Ethnic Diversity**

During the year under review, the audit revealed that one hundred and thirty-three (133) staff or 80% of the total staff population of one hundred and sixty-seven (167) were from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides 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-Allowable Loss of Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.371,285,595 which, as disclosed in Note 6 to the financial statements includes water sales amounting to Kshs.282,780,318. During the year under review, records from the Company revealed that it produced 4,707,678 cubic meters (M<sup>3</sup>) of water out of which 2,946,820 cubic meters (M<sup>3</sup>) or approximately 63% was distributed and billed to customers. However, the balance of 1,760,858 cubic meters (M<sup>3</sup>) or approximately 37% of the total volume produced was not billed, which represent non-revenue water.

This is contrary to the Water Services Regulatory Board (WASREB) guidelines which provides an allowable maximum loss of 25%.

In the circumstances, the ineffective management of water negatively impacted on the Company's profitability and resulted in unallowable loss of non-revenue water of 1,760,858 M<sup>3</sup>.

### **3. Excess Wage Bill**

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.180,064,098 as disclosed in Note 10 to the financial statements. The amount is equivalent to 47% of the total revenue of the Company of Kshs.380,163,212 against the required ratio of 30%. Additionally, the current staff numbers are one hundred and sixty-seven (167) staff which differs from the recommended industry requirement for the water company of ninety (90) staff resulting in excess staffing of seventy-seven (77) staff.

This was contrary to Table 3.2 of WASREB Impact Performance Report No.16/2024 of Kenya Water Sector in 2022/2023 financial year which classified Kakamega County Water and Sanitation Company as a very large water service provider and provides that the acceptable sector bench mark for staff productivity to be 5 per 1,000 active connections.

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

### **4. Delayed Implementation of Projects**

#### **4.1 Construction Works for a 5,000 Cubic Meters Reinforced Concrete Water Storage Tank**

Management awarded tender number KACWASCO/CON/5/2019-2020 to a local contractor for construction works for a 5,000m<sup>3</sup> reinforced concrete water storage tank in Milimani-Kakamega town at a contract sum of Kshs.84,124,460. The contract agreement was signed on 6 September, 2019 with a contract completion period of eight (8) months ending May, 2020.

The project was later relocated to Lirhanda - Shinyalu Subcounty, and the contract sum was revised upwards by an amount of Kshs.12,924,488 to Kshs.97,045,948, representing 15% variation of the original contract sum of Kshs.84,121,460. The change was formalized through a contract agreement signed on 7 August, 2020.

The contract completion period was six (6) months with initial date of completion being January 2021. The contract completion period was further revised to April, 2023. Physical inspection of the project on 11 August, 2025 revealed that the project was incomplete with overall works certified progress at 98% complete and was not in use. The contract period had lapsed with no evidence of contract extension.

Further, details of payments made to the contractor were not provided for audit review.

In the circumstances, the Company did not achieve value for money in respect of the delayed project.

#### **4.2 Containerized Water Treatment Plant for Nandamaywa and Butwehe**

Annex 2 to the financial statements on projects implemented by the Company indicates that the Company was implementing a project in respect to containerized water treatment plant for Nandamaywa and Butwehe. Information available indicate that Management entered into a contract with a local contractor for the construction of containerized water treatment plant with a budget of Kshs.192,000,000 which was to be funded by the County Government of Kakamega. The project was initiated in September, 2023 and was expected to be complete by September, 2025, and a total of Kshs.69,461,552 had been paid to the contractor. However, the contract agreement was not provided for audit review. Further, there was no evidence of any works having been undertaken.

In the circumstances, the Company did not achieve value for money spent on the project amounting to Kshs.69,461,552.

#### **5. Unprocedural Provision of Security Services**

The statement of profit or loss and other comprehensive income reflects general and operations expenses totaling Kshs.159,752,774 out of which Kshs.13,560,000 relate to security expenses. Included in the amount are payments to a local security firm totaling Kshs.11,760,000. Review of the contract documents revealed that the Company entered into a contract with a security firm for the provision of security services on 12 July, 2023 for a period of one year ending 12 July, 2024.

On 11 July, 2024, the Company entered into an addendum to the contract for a one-month extension effective 13 July, 2024 ending 12 August, 2024.

On 11 August, 2024, the Company further entered into an addendum to the contract for extension of the contract for provision of security services for a further term of three months ending 12 November, 2024.

However, after the lapse of the extension of the contract period on 12 November, 2024, the Company continued to pay the security firm for the provision of security services without a valid contract agreement in force.

This was contrary to the Public Procurement and Asset Disposal Regulations 2020, Regulation 34 which states that subject to the Act, a user department of a procuring entity shall be responsible for forwarding details of any required amendments or variations to contracts including extensions to the head of procurement function for consideration and action.

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

## **6. Unremitted Statutory Deductions**

Review of the payroll and other supporting documents revealed that during the year under review, the Company deducted Kshs.11,010,298 from employees salaries in respect to National Social Security Fund (NSSF), out of which Kshs.3,406,832 was paid resulting to unremitted NSSF deductions totaling Kshs.7,603,466. Further, LAPTRUST dues totaling Kshs.6,015,329 for both employees deductions and employer contribution had not been remitted as at 30 June, 2025. Additionally, review of the Kenya Revenue Authority iTax portal revealed that the Company had arrears of Pay-As-You-Earn (PAYE) dating back to December, 2023 amounting to Kshs.766,627.

In the circumstances, the Company risks penalties and interest charges arising from the non-remittance of statutory deductions.

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, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **Inadequate Information and Communication Technology (ICT) Internal Controls and Governance**

Audit review of the Company's ICT function revealed major gaps in governance and operational management. The Company lacks a formal ICT strategic plan, which is essential for aligning technology initiatives with its overall goals. Key governance structures, which includes the ICT Strategy Committee and Steering Committee were also not in place.

In addition, it was observed that the Company was in the process of acquiring ownership of an Enterprise Resource Planning (ERP) system valued at Kshs.44,981,000. As at the time of audit in October, 2025 a total Kshs.42,450,000 representing 94% of the total cost had been paid. However, lack of a clearly empowered and independent ICT function may

limit the ICT department to effectively manage the ERP infrastructure and ensure its full operational functionality.

In the circumstances, the adequacy of ICT internal controls and governance could be confirmed.

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

### **Conclusion**

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on pages xxxiii and xxxiv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 25 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of 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, SBS  
AUDITOR-GENERAL

Nairobi

8 December, 2025

## Appendices

### Appendix 1: Unresolved Prior Year Audit Matters

| Reference No. of the Auditor-General's Report | Observation   |
|---|---|
|   | <b>Report on the Financial Statements</b>   |
| 1.1   | Misstatement of trade and other receivables   |
| 1.2   | Unsupported bad debts written-off   |
| 2   | Misstatement of Trade and Other Payables  |
| 3   | Material Uncertainty Related to Going Concern                                       |
|   | <b>Emphasis of Matter</b>   |
|   | Budgetary Control and Performance   |
|   | <b>Report on Lawfulness and Effectiveness in the Use of Public Resources</b>        |
| 1   | Non-allowable loss of non-revenue water   |
| 2   | Irregular expenditure on Members of County Assembly (MCAs)                          |
| 3   | Excess Wage Bill  |
| 4   | Non-compliance with the Law on Ethnic Diversity                                     |
| 5   | Long outstanding trade and other payables   |
| 6   | Lack of an updated asset register   |
| 7   | Failure to Conduct Governance Audit   |
|   | <b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b> |
| 1   | Inadequate Information and Technology (IT) internal controls                        |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.**

|  | Note | 2024/2025          | 2023/2024          |
|--|------|--------------------|--------------------|
|  |      | Kshs               | Kshs               |
| <b>Revenue</b>                         |      |                    |                    |
| Operating Revenue                      | 6    | 371,285,595        | 357,905,633        |
| Grants Income                          | 7    | 3,933,478          | 1,795,500          |
| Other Income                           | 8    | 192,000            | 588,770            |
| Finance income                         | 9    | 4,752,139          | 3,542,262          |
| <b>Total Revenue</b>                   |      | <b>380,163,212</b> | <b>363,832,165</b> |
| <b>Expenses</b>                        |      |                    |                    |
| Staff Costs                            | 10   | 180,064,098        | 180,074,012        |
| General and Operations expenses        | 11   | 159,752,774        | 128,818,795        |
| Board Expenses                         | 12   | 7,100,420          | 6,996,228          |
| Maintenance Expenses                   | 13   | 22,260,588         | 17,390,667         |
| Depreciation and Amortization expenses | 14   | 10,188,571         | 11,368,787         |
| Finance Costs                          | 15   | 1,113,191          | 24,584,055         |
| <b>Total Expenses</b>                  |      | <b>380,479,642</b> | <b>369,232,545</b> |
| <b>Profit/(Loss) Before Taxation</b>   |      | <b>(316,430)</b>   | <b>(5,400,381)</b> |
| <b>Profit/(Loss) After Taxation</b>    |      | <b>(316,430)</b>   | <b>(5,400,381)</b> |

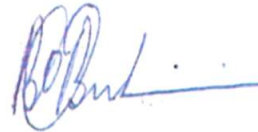
The financial statements were approved on 28/10/2025 by:



.....  
**Eng. Michael Ogol**  
**Managing Director**



.....  
**CPA Eric Wabuyabo**  
**Head of Finance**  
**ICPAK M/No.6360**



.....  
**Mr. Boaz Bulimu**  
**Chairman of the Board**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

15. Statement Of Financial Position As at 30 June 2025

|                                      | Note | 2024/2025          | 2023/2024            |
|--------------------------------------|------|--------------------|----------------------|
|                                      |      | Kshs               | Kshs                 |
| <b>Assets</b>                        |      |                    |                      |
| <b>Non-Current Assets</b>            |      |                    |                      |
| Property, Plant and Equipment        | 16   | 210,813,411        | 210,706,464          |
| <b>Total Non-Current Assets</b>      |      | <b>210,813,411</b> | <b>210,706,464</b>   |
| <b>Current Assets</b>                |      |                    |                      |
| Inventories                          | 17   | 20,228,084         | 18,370,009           |
| Trade and Receivable                 | 18   | 331,146,666        | 247,315,566          |
| Short-term Deposits                  | 19   | 9,965,770          | 0                    |
| Bank and Cash Balances               | 20   | 69,017,271         | 83,635,918           |
| Prepayments-Medical cover            | 21   | 0                  | 1,340,615            |
| <b>Total Current Assets</b>          |      | <b>430,357,791</b> | <b>350,662,108</b>   |
| <b>Total Assets</b>                  |      | <b>641,171,202</b> | <b>561,368,572</b>   |
| <b>Equity and Liabilities</b>        |      |                    |                      |
| <b>Capital and Reserves</b>          |      |                    |                      |
| Ordinary Share Capital               | 22   | 100,000            | 100,000              |
| Capital Development Fund             | 23   | 215,000,000        | 215,000,000          |
| Retained Earnings                    | 24   | (381,408,228)      | (325,683,286)        |
| Loan Revaluation                     | 25   | 376,941,840        | 0                    |
| <b>Total Capital and Reserves</b>    |      | <b>210,633,612</b> | <b>(110,583,286)</b> |
| <b>Non-Current Liabilities</b>       |      |                    |                      |
| Long Term Payables                   | 27   | 34,034,921         | 408,678,432          |
| <b>Total Non-Current Liabilities</b> |      | <b>34,034,921</b>  | <b>408,678,432</b>   |
| <b>Current Liabilities</b>           |      |                    |                      |
| Trade and Other Payables             | 28   | 390,253,027        | 263,273,426          |
| Refundable Deposits                  | 29   | 6,249,642          | 0                    |
| <b>Total Current Liabilities</b>     |      | <b>396,502,669</b> | <b>263,273,426</b>   |
| <b>Total Equity and Liabilities</b>  |      | <b>641,171,202</b> | <b>561,368,572</b>   |

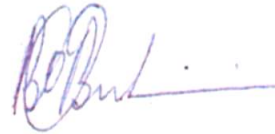
The financial statements were approved on 28.7.2025 by:



Eng. Michael Ogol  
**Managing Director**



CPA Eric Wabuyabo  
**Head of Finance**  
**ICPAK M/No.6360**



Mr. Boaz Bulimu  
**Chairman of the Board**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**16. Statement Of Changes in Equity for the Year Ended 30 June 2025**

|                            | Ordinary share capital | Revaluation reserve | Retained Earnings | Capital/ Development Fund | Total         |
|----------------------------|------------------------|---------------------|-------------------|---------------------------|---------------|
| As at July 1, 2024         | 100,000                | 0                   | (320,282,905)     | 215,000,000               | (105,182,905) |
| For the year               | 0                      | 0                   | (5,400,381)       | 0                         | (5,400,381)   |
| As at June 30, 2024        | 100,000                | 0                   | (325,683,286)     | 215,000,000               | (110,583,286) |
|                            |                        |                     |                   |                           |               |
| As at July 1, 2024         | 100,000                | 0                   | (325,683,286)     | 215,000,000               | (110,583,286) |
| Profit/Loss for the year   | 0                      |                     | (316,430)         | 0                         | (316,430)     |
| Long term loan Revaluation | 0                      | 376,941,840         | 0                 | 0                         | 376,941,840   |
| Bad Debt Reinstatement     | 0                      | 0                   | (55,408,512)      | 0                         | (55,408,512)  |
| As at June 30, 2025        | 100,000                | 376,941,840         | (381,408,228)     | 215,000,000               | 210,633,612   |

Long term Loan revaluation is expungent of Ksh. 38,387,465, Ksh. 275,541,203 and 63,013,172 from KfW, World Bank loan Mumias and World Bank loan for Lumakanda respectively.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**17. Statement Of Cash Flows for The Year Ended 30 June 2025**

|   | Note | 2024/2025           | 2023/2024           |
|---|------|---------------------|---------------------|
|   |      | Kshs                | Kshs                |
| <b>Cash Flows From Operating Activities</b>               |      |                     |                     |
| <b>Receipts</b>   |      |                     |                     |
| Operating Revenue   | 6    | 371,285,595         | 357,905,633         |
| Grants Income   | 7    | 3,933,478           | 1,795,500           |
| Other Income  | 8    | 192,000             | 588,770             |
| Finance Income  | 9    | 4,752,139           | 3,542,262           |
| Customer Deposits   | 30   | 3,007,642           | 2,955,599           |
| <b>Total Receipts</b>                                     |      | <b>383,170,854</b>  | <b>366,787,764</b>  |
|   |      |                     |                     |
| <b>Payments</b>   |      |                     |                     |
| Staff Costs   | 10   | 180,064,098         | 180,805,155         |
| Board Expenses  | 12   | 7,100,420           | 6,996,228           |
| General And Operation Expenses                            | 11   | 159,752,774         | 128,818,795         |
| Maintenance   | 13   | 22,260,588          | 17,390,667          |
| Finance Costs   | 15   | 1,113,191           | 24,584,055          |
| Refund Of Customer Deposits                               | 31   | 23,000              | 330,565             |
| Trade Creditors   |      | 0                   | 56,396,015          |
| <b>Total Payments</b>                                     |      | <b>370,314,071</b>  | <b>414,590,338</b>  |
| <b>Net Cash From/(Used In) Operating Activities</b>       |      | <b>12,856,783</b>   | <b>(47,802,574)</b> |
|   |      |                     |                     |
| <b>Cash Flows from Investing Activities</b>               |      |                     |                     |
| Purchase Of Property, Plant And Equipment (PPE)           |      | (10,295,518)        | (64,531,440)        |
| Investment to Fixed Account                               |      | (9,965,770)         | 65,000,000          |
| <b>Net Cash From/(Used In) Investing Activities</b>       |      | <b>(20,261,288)</b> | <b>(468,560)</b>    |
| <b>Cash Flows from Financing Activities</b>               |      |                     |                     |
| Repayment Of Borrowings                                   |      | (7,214,402)         | (7,534,520)         |
| <b>Net Cash From/(Used In) Financing Activities</b>       |      | <b>(7,214,402)</b>  | <b>(7,534,520)</b>  |
| <b>Increase/(Decrease) In Cash &amp; Cash Equivalents</b> |      | <b>(14,618,547)</b> | <b>(54,868,530)</b> |
|   |      |                     |                     |
| <b>Cash And Cash Equivalents At Start of the year</b>     |      | <b>83,635,918</b>   | <b>138,504,454</b>  |
|   |      |                     |                     |
| <b>Cash &amp; Cash Equivalents At End Of The Period</b>   |      | <b>69,017,271</b>   | <b>83,635,918</b>   |

**Kakamega County Water and Sanitation Company Limited**  
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**18. Statement Of Comparison of Budget & Actual Amounts for The Year Ended 30 June 2025**

| Description                         | Original Budget    | Adjustments          | Final Budget       | Actual on comparable basis | Performance difference | % of utilization |
|-------------------------------------|--------------------|----------------------|--------------------|----------------------------|------------------------|------------------|
|                                     | a                  | b                    | C=a+b              | d                          | e= c-d                 | f=d/c %          |
|                                     | Kshs               | Kshs                 | Kshs               | Kshs                       | Kshs                   |                  |
| <b>Receipts</b>                     |                    |                      |                    |                            |                        |                  |
| Operating Revenue                   | 475,996,000        | (72,771,000)         | 403,225,000        | 371,285,595                | 31,939,405             | 92               |
| Non-Operating Revenue               | 0                  | 0                    | 0                  | 0                          | 0                      | 0                |
| Grants                              | 109,000,000        | (97,506,722)         | 11,493,278         | 3,933,478                  | 7,559,800              | 34               |
| Finance Income                      | 0                  | 3,600,000            | 3,600,000          | 4,752,139                  | (1,152,139)            | 132              |
| Other Income                        | 0                  | 192,000              | 192,000            | 192,000                    | 0                      | 100              |
| <b>Total Receipts</b>               | <b>584,996,000</b> | <b>(166,485,722)</b> | <b>418,510,278</b> | <b>380,163,212</b>         | <b>38,347,066</b>      | <b>91</b>        |
| <b>Payments</b>                     |                    |                      |                    |                            |                        |                  |
| Staff Costs                         | 198,720,716        | (5,772,000)          | 192,948,716        | 180,064,098                | 12,884,618             | 93               |
| Board Expenses                      | 10,020,000         | 0                    | 10,020,000         | 7,100,420                  | 2,919,580              | 71               |
| General and operations Expenses     | 140,906,882        | (17,229,000)         | 123,677,882        | 157,620,824                | (33,942,942)           | 127              |
| Maintenance                         | 48,820,000         | (8,000,000)          | 40,820,000         | 22,260,588                 | 18,559,412             | 55               |
| Finance costs                       | 4,000,000          | 27,000,000           | 31,000,000         | 1,113,191                  | 29,886,809             | 4                |
| Pro-Poor                            | 10,000,000         | (5,000,000)          | 5,000,000          | 2,131,950                  | 2,868,050              | 43               |
| Depreciation                        | 0                  | 0                    | 0                  | 10,188,571                 | (10,188,571)           | 0                |
| <b>Total Payments</b>               | <b>412,467,598</b> | <b>(9,001,000)</b>   | <b>403,466,598</b> | <b>380,479,642</b>         | <b>22,986,956</b>      | <b>94</b>        |
| <b>Capital Expenditure Payments</b> | <b>172,528,402</b> | <b>(157,484,722)</b> | <b>15,043,680</b>  | <b>10,295,518</b>          | <b>4,748,162</b>       | <b>68</b>        |
| <b>TOTAL</b>                        | <b>584,996,000</b> | <b>(166,485,722)</b> | <b>418,510,278</b> | <b>380,163,212</b>         | <b>38,347,066</b>      | <b>91</b>        |
| <b>Deficit</b>                      | <b>0</b>           | <b>0</b>             | <b>0</b>           | <b>(316,430)</b>           |                        |                  |

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**Budget notes:**

**Explanation of differences between actual and budgeted amounts (10% difference over/ under)**

| Description                     | Final Budget       | Actual on comparable basis | Performance difference | % of utilization | Remarks  |
|---------------------------------|--------------------|----------------------------|------------------------|------------------|--|
| <b>Receipts</b>                 | <b>Kshs</b>        | <b>Kshs</b>                | <b>Kshs</b>            |                  |  |
| Operating Revenue               | 403,225,000        | 371,285,595                | (31,939,405)           | 92               | The anticipated growth in the number of connections during the year was not realized hence low sales   |
| Grants Income                   | 11,493,278         | 3,933,478                  | (7,559,800)            | 34               | Anticipated grant income was not achieved because the company did not receive official commitment from the donors  |
| Finance Income                  | 3,600,000          | 4,752,139                  | (1,152,139)            | 132              | The budgeted was exceed as a result of high returns from interest in fixed Deposit accounts  |
| Other Income                    | 192,000            | 192,000                    | 0                      | 100              | This was equally utilized and is commendable   |
| <b>Total Receipts</b>           | <b>418,726,598</b> | <b>380,163,212</b>         | <b>(38,347,066)</b>    | <b>91</b>        |  |
| <b>Payments</b>                 |                    |                            |                        |                  |  |
| Staff Costs                     | 192,948,716        | 180,064,098                | 12,884,618             | 93               | This was under-utilized because of the reduced casual wages during the financial year. Cost of medical cover during the year was low.  |
| Board Expenses                  | 10,020,000         | 7,100,420                  | 2,919,580              | 71               | This was not realized because of the cost cutting measure by the company towards this vote head. Additionally medical cover cost reduced   |
| General and operations Expenses | 123,677,882        | 157,620,824                | (33,942,942)           | 127              | Included in the general and operation expenses were provisions for bad debts which were not budgeted for. Increase of abstraction fees by WRA from 0.05% to 5% also contributed to over utilization of the general and operation expenses. |

**Kakamega County Water and Sanitation Company Limited**  
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|                                     |                    |                    |                   |           |  |
|-------------------------------------|--------------------|--------------------|-------------------|-----------|--|
| Maintenance                         | 40,820,000         | 22,260,588         | 18,559,412        | 55        | Due to cash flow constraints, this vote underperformed. Most of the planned maintenance activities were not undertaken   |
| Finance costs                       | 31,000,000         | 1,113,191          | 29,886,809        | 4         | Pending bills which had been budgeted for was not expensed due accrual basis approach  |
| Pro-Poor                            | 5,000,000          | 2,131,950          | 2,868,050         | 43        | Some of the pro-poor activities planned for during the year were not undertaken leading to underutilization of the budget  |
| Depreciation                        | 0                  | 10,188,571         | (10,188,571)      | 0         |  |
| <b>Total Payments</b>               | <b>403,466,598</b> | <b>380,479,642</b> | <b>22,986,956</b> | <b>94</b> |  |
| <b>Capital Expenditure Payments</b> | <b>15,043,680</b>  | <b>10,295,518</b>  | <b>4,748,162</b>  | <b>68</b> | Due to the financial constraints faced by the company during the financial year, most development expenses were not met and were moved to the next financial year. |
| <b>TOTAL</b>                        | <b>418,726,598</b> | <b>380,163,122</b> | <b>38,836,920</b> | <b>91</b> |  |
| <b>Deficit</b>                      | <b>0</b>           | <b>(316,430)</b>   | <b>0</b>          |           |  |

**Kakamega County Water and Sanitation Company Limited**  
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**19. Notes to the Financial Statements**

**1. General Information**

Kakamega County Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Kakamega County Government and is domiciled in Kenya. The Company's principal activity is provision of water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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

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

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

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Notes to the financial statements (continued)**

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

*i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.*

| <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, 2025. 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, 2025. 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, 2025. 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.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

*New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

| <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.

**ii. *Early adoption of standards***

Kakamega County Water and Sanitation Company Limited did not early – adopt any new or Amended standards in year under review.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**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.

**Kakamega County Water and Sanitation Company Limited**  
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**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

| <b>Item</b>                              | <b>Rates</b> |
|--|--------------|
| Buildings and civil works                | 2%           |
| Freehold land                            | N/A          |
| Infrastructure works                     | 5%           |
| Water meters                             | 6.25%        |
| Plant and machinery                      | 12.5%        |
| Motor vehicles, including motorcycles    | 25%          |
| Computers and related equipment          | 33.33%       |
| Office equipment, furniture and fittings | 12.5%        |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

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

**e) Intangible assets**

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

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

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

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

**g) Investment property**

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**Summary of Accounting Policies**

**h) Right of Use Asset**

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

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

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

**j) Quoted investments**

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**Summary of Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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

**n) Taxation**

**i) Current income tax**

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**o) Deferred tax**

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

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

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

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**r) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable 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.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2019. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,400 per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

**w) Budget information**

The original budget for FY 2024/2025 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income.

**x) Service concession arrangements**

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

**y) Comparative figures**

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

**z) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available to be 10% of the debt outstanding at closure of each financial year.

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.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Notes to the financial statements (continues)

**6. Operating Revenue**

|                            | 2024/2025          | 2023/2024          |
|----------------------------|--------------------|--------------------|
|                            | Kshs               | Kshs               |
| Water sales                | 282,780,318        | 270,131,916        |
| Sewerage Services          | 63,810,230         | 61,897,306         |
| Meter Rent                 | 11,591,900         | 10,940,600         |
| Billing for other services | 13,103,147         | 14,935,811         |
| <b>Total</b>               | <b>371,285,595</b> | <b>357,905,633</b> |

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

**Detailed breakdown of billing for other services**

| Description                  | 2024/2025         | 2023/2024         |
|------------------------------|-------------------|-------------------|
|                              | Kshs              | Kshs              |
| Bowser                       | 243,750           | 1,014,218         |
| Disconnection Request        | 4,200             | 26,600            |
| Exhauster                    | 1,734,500         | 1,593,600         |
| Illegal Connection Penalties | 1,615,000         | 1,430,000         |
| Lab Testing                  | 125,750           | 233,700           |
| Late Fee For Reconnection    | 3,882,000         | 4,515,000         |
| Meter Replacement/Stolen     | 710,000           | 1,698,500         |
| Meter Tempering              | 285,501           | 402,500           |
| Renewal                      | 2,500             | 0                 |
| Meter Test                   | 9,000             | 9,700             |
| Reconnection Request         | 0                 | 29,800            |
| Sewer-Connection             | 152,500           | 89,500            |
| Sewer Unblocking             | 34,000            | 0                 |
| Statement Printing Fee       | 40,000            | 40,600            |
| Surcharge Fee                | 1,027,746         | 965,200           |
| Survey Fee                   | 2,906,200         | 2,727,893         |
| Turn Off Fee                 | 101,399           | 107,400           |
| Turn On Fee                  | 65,600            | 51,600            |
| Special meter reading        | 8,500             | 0                 |
| Mainline interference        | 150,000           | 0                 |
| Non refund deposit           | 5,000             | 0                 |
| <b>Total</b>                 | <b>13,103,146</b> | <b>14,935,811</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**7. Grants Income**

|  | 2024/2025        | 2023/2024        |
|--|------------------|------------------|
|  | Kshs             | Kshs             |
| Grants from Government entities                    | 0                | 50,000           |
| Grants from other agencies                         | 3,933,478        | 495,500          |
| Donations from County Governments                  | 0                | 0                |
| In Kind contribution/donations from other agencies | 0                | 1,250,000        |
| <b>Total</b>                                       | <b>3,933,478</b> | <b>1,795,500</b> |

**Detailed analysis of grants received from the Government and Other Donations**

| Name of the Entity sending the grant | Amount recognized in the Statement of Comprehensive Income Kshs | Amount deferred under deferred income Kshs | Amount recognised in capital fund. Kshs | Total grant income during the year Kshs | 2024/2025 Kshs   |
|--------------------------------------|---|--|---|---|------------------|
| Water Sector Trust Fund              | 3,933,478   | 0  | 0                                       | 3,933,478                               | 3,933,478        |
| <b>Total</b>                         | <b>3,933,478</b>  | <b>0</b>                                   | <b>0</b>                                | <b>3,933,478</b>                        | <b>3,933,478</b> |

**8. Other Income**

|                 | 2024/2025      | 2023/2024      |
|-----------------|----------------|----------------|
|                 | Kshs           | Kshs           |
| Rental Income   | 192,000        | 204,000        |
| Staff Incentive | 0              | 384,770        |
| <b>Total</b>    | <b>192,000</b> | <b>588,770</b> |

**9. Finance Income**

|   | 2024/2025        | 2023/2024        |
|---|------------------|------------------|
| Description   | Kshs             | Kshs             |
| Interest from commercial banks and financial institutions | 4,752,139        | 3,542,262        |
| <b>Total</b>  | <b>4,752,139</b> | <b>3,542,262</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Notes to the financial statements (continued)

**10. Staff Costs**

| Description  | 2024/2025          | 2023/2024          |
|--|--------------------|--------------------|
|  | Kshs               | Kshs               |
| Basic salary   | 98,416,750         | 93,068,000         |
| Leave allowance  | 2,541,900          | 2,287,366          |
| Transfer allowance                                     | 339,500            | 2,426,400          |
| Commuter allowance                                     | 7,287,000          | 7,392,000          |
| House allowance  | 23,472,000         | 23,753,000         |
| Airtime allowance                                      | 2,781,000          | 2,755,000          |
| Pension Employer                                       | 16,280,364         | 13,898,430         |
| NSSF Employer  | 5,331,945          | 2,910,870          |
| Acting allowance                                       | 445,200            | 437,500            |
| Special duty allowance                                 | 0                  | 98,850             |
| Non-practicing allowance                               | 360,000            | 360,000            |
| Performance reward                                     | 5,170,000          | 5,215,527          |
| Risk allowance   | 1,116,000          | 1,071,000          |
| Entertainment  | 600,000            | 600,000            |
| Salary Arrears   | 179,750            | 1,750,000          |
| Housing Levy   | 2,072,428          | 1,707,057          |
| WIBA   | 467,110            | 0                  |
| Gratuity   | 3,454,950          | 2,672,200          |
| Medical insurance                                      | 6,857,923          | 12,377,663         |
| Casual wages   | 1,876,278          | 4,408,149          |
| Interns  | 1,014,000          | 885,000            |
| <b>Total</b>   | <b>180,064,098</b> | <b>180,074,012</b> |
| <b>The average number of employees during the year</b> | <b>186</b>         | <b>176</b>         |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**11. General and Operations Expenses**

|  | <b>2024/2025</b>   | <b>2023/2024</b>   |
|--|--------------------|--------------------|
| <b>Description</b>                                     | <b>Kshs</b>        | <b>Kshs</b>        |
| Electricity  | 11,727,226         | 16,209,143         |
| Chemicals  | 17,840,114         | 12,798,569         |
| Abstraction fees                                       | 4,585,191          | 2,604,000          |
| Bulk water costs                                       | 1,738,660          | 1,271,374          |
| Postage, Telephone and Internet                        | 4,874,170          | 3,645,495          |
| Transportation, Travelling & Subsistence               | 9,662,558          | 10,817,799         |
| Printing & Stationery                                  | 2,161,864          | 571,342            |
| Security Services & Enforcement                        | 13,560,000         | 8,476,473          |
| Fuel & Lubricants                                      | 6,104,450          | 3,390,000          |
| Lab reagents   | 626,723            | 256,239            |
| Domestic requisites                                    | 2,535,868          | 1,887,794          |
| Corporate Social Responsibility & Cross cutting issues | 1,043,435          | 1,139,520          |
| Uniform & protective clothing                          | 0                  | 929,549            |
| Subscription fees                                      | 634,984            | 769,356            |
| Publicity & Advertisement                              | 542,800            | 481,230            |
| Consultancy/profession fees                            | 2,676,400          | 0                  |
| Bank Charges   | 804,215            | 234,824            |
| Games & Sport  | 4,389,500          | 3,590,300          |
| Customer Identification Survey                         | 0                  | 107,936            |
| Stakeholders' Awareness & AGM                          | 4,726,655          | 4,085,000          |
| Pro-Poor   | 2,131,950          | 4,024,270          |
| Debt Collection  | 822,700            | 568,950            |
| Motor vehicle insurance                                | 172,152            | 342,250            |
| ICT Expense  | 435,906            | 1,511,212          |
| Audit Expenses   | 536,894            | 26,950             |
| Legal fees   | 0                  | 324,640            |
| Levies   | 14,851,424         | 10,805,277         |
| Annual fee- WASPA & WASREB                             | 212,000            | 162,000            |
| Hospitality  | 1,268,890          | 3,493,529          |
| Enforcement  | 0                  | 168,500            |
| Provision for Bad & Doubtful Debts                     | 36,794,074         | 27,479,507         |
| Staff Training & Development                           | 11,267,471         | 6,645,767          |
| Levies & Licenses                                      | 218,000            | 0                  |
| Customer Summit  | 806,500            | 0                  |
| <b>Total</b>   | <b>159,752,774</b> | <b>128,818,795</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

**12. Board Expenses**

| Description   | 2024/2025        | 2023/2024        |
|---|------------------|------------------|
|   | Kshs             | Kshs             |
| Chairman Honoraria                                    | 660,000          | 660,000          |
| Travel, Training and Accommodation & Other Emoluments | 6,440,420        | 5,605,085        |
| Board Medical Cover                                   | 0                | 731,143          |
| <b>Total Board Expenses</b>                           | <b>7,100,420</b> | <b>6,996,228</b> |

**13. Maintenance Expenses**

| Description                       | 2024/2025         | 2023/2024         |
|-----------------------------------|-------------------|-------------------|
|                                   | Kshs              | Kshs              |
| Infrastructural networks          | 18,129,742        | 14,114,880        |
| Motor vehicles                    | 2,130,846         | 1,275,787         |
| Software Maintenance              | 2,000,000         | 2,000,000         |
| <b>Total Maintenance Expenses</b> | <b>22,260,588</b> | <b>17,390,667</b> |

**14. Depreciation and Amortization Expenses**

| Description                                | 2024/2025         | 2023/2024         |
|--|-------------------|-------------------|
|  | Kshs              | Kshs              |
| Property, plant, and equipment             | 1,705,201         | 1,803,693         |
| Buildings & civil works                    | 122,600           | 111,220           |
| Water supply & Sewer infrastructure        | 2,805,310         | 2,661,683         |
| Motor vehicles, including motorcycles      | 2,549,979         | 3,399,972         |
| Computers and related equipment            | 1,990,322         | 2,418,416         |
| Office equipment, furniture and fittings   | 259,884           | 297,010           |
| Water meters                               | 755,275           | 676,793           |
| <b>Total Depreciation and Amortization</b> | <b>10,188,571</b> | <b>11,368,787</b> |

**15. Finance costs**

| Description             | 2024/2025        | 2023/2024         |
|-------------------------|------------------|-------------------|
|                         | Kshs             | Kshs              |
| Loan Interest Repayment | 1,113,191        | 1,322,464         |
| KFW Loan                | 0                | 20,814,771        |
| Mumias World Bank       | 0                | 2,068,741         |
| Lumakanda World Bank    | 0                | 378,079           |
| <b>Total</b>            | <b>1,113,191</b> | <b>24,584,055</b> |

Kakamega County Water and Sanitation Company Ltd  
Annual Reports and Financial Statements For the year ended June 30, 2025  
Notes to the financial statements (continued)

**16. Property, Plant and Equipment**

|  | Freehold land    | Buildings & civil works | Water & Sewer Infrastructure | Plant and machinery | Motor vehicles, including, motorcycles | Computers & related equipment | Office equipment, furniture & fittings | Meters            | Capital work in progress | Total              |
|--|------------------|-------------------------|------------------------------|---------------------|--|-------------------------------|--|-------------------|--------------------------|--------------------|
| <b>Depreciation rate</b>               | 0%               | 2%                      | 5%                           | 12.5%               | 25%                                    | 33.3%                         | 12.5%                                  | 6.25%             |                          |                    |
|  | Kshs             | Kshs                    | Kshs                         | Kshs                | Kshs                                   | Kshs                          | Kshs                                   | Kshs              | Kshs                     | Kshs               |
| <b>As At 1 July 2023</b>               | <b>2,200,000</b> | <b>5,561,012</b>        | <b>33,894,378</b>            | <b>16,482,026</b>   | <b>37,934,503</b>                      | <b>17,480,156</b>             | <b>6,491,186</b>                       | <b>35,799,883</b> | <b>73,699,868</b>        | <b>229,543,012</b> |
| Additions                              | 0                | 0                       | 3,251,755                    | 1,190,524           | 0                                      | 770,750                       | 0                                      | 1,434,411         | 57,884,000               | 64,531,440         |
| Disposals                              | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| Transfers/Adjustments                  | 0                | 0                       | 19,000,000                   | 0                   | 0                                      | 0                             | 0                                      | 0                 | (19,000,000)             | 0                  |
| Revaluation Adjustments                | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| <b>As at 30<sup>th</sup> June 2024</b> | <b>2,200,000</b> | <b>5,561,012</b>        | <b>56,146,133</b>            | <b>17,672,550</b>   | <b>37,934,503</b>                      | <b>18,250,906</b>             | <b>6,491,186</b>                       | <b>37,234,294</b> | <b>112,583,868</b>       | <b>294,074,452</b> |
| Additions                              | 0                | 680,188                 | 5,534,225                    | 1,015,755           | 0                                      | 1,132,850                     | 0                                      | 1,932,500         | 0                        | 10,295,518         |
| Disposals                              | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| Transfer/Adjustments                   | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| Revaluation Adjustments                | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| <b>As at 30<sup>th</sup> June 2025</b> | <b>2,200,000</b> | <b>6,241,200</b>        | <b>61,680,358</b>            | <b>18,688,305</b>   | <b>37,934,503</b>                      | <b>19,383,756</b>             | <b>6,491,186</b>                       | <b>39,166,794</b> | <b>112,583,868</b>       | <b>304,369,970</b> |
| <b>Depreciation And Impairment</b>     |                  |                         |                              |                     |  |                               |  |                   |                          |                    |
| <b>At 1 July 2023</b>                  | 0                | 0                       | 2,912,480                    | 3,243,003           | 24,334,616                             | 10,988,396                    | 4,115,103                              | 26,405,603        | 0                        | 71,999,201         |
| Depreciation                           | 0                | 111,220                 | 2,661,683                    | 1,803,693           | 3,399,972                              | 2,418,416                     | 297,010                                | 676,793           | 0                        | 11,368,787         |
| Impairment                             | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| Transfers/Adjustments                  | 0                | 0                       | 0                            | 0                   | 0                                      | 0                             | 0                                      | 0                 | 0                        | 0                  |
| <b>As At 30<sup>th</sup> July 2024</b> | 0                | 111,220                 | 5,574,163                    | 5,046,696           | 27,734,588                             | 13,406,812                    | 4,412,113                              | 27,082,396        | 0                        | 83,367,988         |
| <b>Depreciation And Impairment</b>     |                  |                         |                              |                     |  |                               |  |                   |                          |                    |
| <b>At 1 July 2024</b>                  | 0                | 111,220                 | 5,574,163                    | 5,046,696           | 27,734,588                             | 13,406,812                    | 4,412,113                              | 27,082,396        | 0                        | 83,367,988         |
| Depreciation                           | 0                | 122,600                 | 2,805,310                    | 1,705,201           | 2,549,979                              | 1,990,322                     | 259,884                                | 755,275           | 0                        | 10,188,571         |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

|  |           |           |            |            |            |            |           |            |             |             |
|--|-----------|-----------|------------|------------|------------|------------|-----------|------------|-------------|-------------|
| Impairment                                 | 0         | 0         | 0          | 0          | 0          | 0          | 0         | 0          | 0           | 0           |
| Transfers/<br>Adjustments                  | 0         | 0         | 0          | 0          | 0          | 0          | 0         | 0          | 0           | 0           |
| <b>As At 30<sup>th</sup> June 2025</b>     | 0         | 233,820   | 8,379,472  | 6,751,897  | 30,284,566 | 15,397,134 | 4,671,997 | 27,837,671 | 0           | 93,556,559  |
|  |           |           |            |            |            |            |           |            |             |             |
| <b>NBV As at 30<sup>th</sup> June 2024</b> | 2,200,000 | 5,449,792 | 50,571,970 | 12,625,854 | 10,199,915 | 4,844,094  | 2,079,073 | 10,151,898 | 112,583,868 | 210,706,464 |
| <b>NBV As at 30<sup>th</sup> June 2025</b> | 2,200,000 | 6,007,380 | 53,300,885 | 11,936,408 | 7,649,937  | 3,986,622  | 1,819,189 | 11,329,123 | 112,583,868 | 210,813,411 |

- Capital Works in Progress of Kshs 112,583,868 relates to ongoing works and acquisition of Net Motor vehicles of Ksh 9,718,868,**
- **ERP Software System of Kshs 44,981,000 and Containerized treatment plant of Kshs 57,884,000**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

**17. Inventories**

|                     | 2024/2025         | 2023/2024         |
|---------------------|-------------------|-------------------|
|                     | Kshs              | Kshs              |
| Pipes and Fittings  | 11,717,763        | 12,472,908        |
| Meters              | 2,279,836         | 1,847,871         |
| Stationery          | 604,330           | 643,925           |
| Electrical Material | 486,842           | 130,094           |
| Chemicals           | 214,368           | 350,517           |
| Water stock         | 3,559,054         | 1,871,413         |
| General items       | 1,365,892         | 1,053,281         |
| <b>Total</b>        | <b>20,228,084</b> | <b>18,370,009</b> |

**18. Trade and Other Receivables**

|   | 2024/2025          | 2023/2024          |
|---|--------------------|--------------------|
|   | KShs               | KShs               |
| Trade receivables (note (18a))            | 367,940,740        | 330,203,606        |
| <b>Gross trade and other receivables</b>  | <b>367,940,740</b> | <b>330,203,606</b> |
| Provision for bad and doubtful receivable | (36,794,074)       | (82,888,039)       |
| <b>Net trade and other receivables</b>    | <b>331,146,666</b> | <b>247,315,566</b> |

**18. (a) Trade Receivables**

|                                    | 2024/2025          | 2023/2024          |
|------------------------------------|--------------------|--------------------|
|                                    | Kshs               | Kshs               |
| Trade receivables b/f              | 247,315,566        | 330,203,606        |
| Bad Debts written off              | 55,408,512         | ( 55,408,512)      |
| Trade receivables for the year     | 65,216,662         | 0                  |
| Provision for doubtful receivables | (36,794,074)       | (27,479,507)       |
| <b>Net trade receivables</b>       | <b>331,146,666</b> | <b>247,315,566</b> |

**As at June 30, the ageing analysis of the gross trade receivables was as follows:**

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Less than 30 days       | 0                  | 0                  |
| Between 30 and 60 days  | 43,414,061         | 32,351,979         |
| Between 61 and 90 days  | 9,318,992          | 11,260,301         |
| Between 91 and 120 days | 7,768,348          | 9,224,815          |
| Over 120 days           | 307,439,339        | 277,366,510        |
| <b>Total</b>            | <b>367,940,740</b> | <b>330,203,606</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

Notes to the financial statements (continued)

**19. Short-term Deposits**

|                                | 2024/2025        | 2023/2024 |
|--------------------------------|------------------|-----------|
|                                | Kshs             | Kshs      |
| Fixed Deposit At National Bank | 6,500,000        | 0         |
| Fixed Deposit At Family Bank   | 3,465,770        | 0         |
| <b>Total</b>                   | <b>9,965,770</b> | <b>0</b>  |

**20. Bank and Cash Balances**

|                      | 2024/2025         | 2023/2024         |
|----------------------|-------------------|-------------------|
|                      | Kshs              | Kshs              |
| Cash at bank         | 67,110,162        | 79,423,762        |
| Mobile money account | 1,907,109         | 4,212,156         |
| <b>Total</b>         | <b>69,017,271</b> | <b>83,635,918</b> |

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

|                                  |                 | 2024/2025         | 2023/2024         |
|----------------------------------|-----------------|-------------------|-------------------|
| Financial institution            | Account number  | KShs              | KShs              |
| <b>a) Current account</b>        |                 |                   |                   |
| KCB Revenue                      | 1273194454      | 982,621           | 1,913,092         |
| KCB Expenditure                  | 1273194667      | 1,162,762         | 4,713,553         |
| KCB Development                  | 1233504525      | 270,144           | 271,422           |
| Cooperative Bank Revenue         | 01100632410100  | 2,517,031         | 3,090,484         |
| Cooperative Bank CLSG            | 01141632410100  | 118.35            | 0                 |
| Family Bank Project WSTF         | 078000040458    | 1,268,303         | 1,011,022         |
| Family Bank Revenue              | 078000040724    | 88,153            | 276,979           |
| Family Bank Project account      | 078000055956    | 7,491             | 310,566           |
| Family Bank Deposit              | 078000040459    | 1,448,610         | 1,323,853         |
| NCBA Bank-WSTF                   | 9453170018      | 634,529           | 0                 |
| National Bank of Kenya-Pro-Poor  | 01520242885400  | 197,951           | 0                 |
| <b>Sub- total</b>                |                 | <b>8,577,713</b>  | <b>12,910,971</b> |
| <b>b) Fixed Deposits Account</b> |                 |                   |                   |
| National Bank of Kenya           | 01520252885400  | 58,532,488        | 66,512,792        |
| Family Bank Deposit-FRD          | 078000040459    | 0                 | 0                 |
| <b>Sub- total</b>                |                 | <b>58,532,488</b> | <b>66,512,792</b> |
| <b>c) Others</b>                 |                 |                   |                   |
| Mobile money account             | Pay bill 772153 | 1,896,509         | 4,212,156         |
|                                  | Pay bill 883061 | 10,600            | 0                 |
| <b>Sub- total</b>                |                 | <b>1,907,109</b>  | <b>4,212,156</b>  |
| <b>Grand total</b>               |                 | <b>69,017,271</b> | <b>83,635,918</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

Notes to the financial statements (continued)

**21. Prepayments**

|   | 2024/2025 | 2023/2024           |
|---|-----------|---------------------|
|   | Kshs      | Kshs                |
| a) Contract fee                           | 0         | 13,715,846.00       |
| b) Monthly payable ( <i>a/12</i> )        | 0         | 1,142,987.17        |
| c) Total annual payable ( <i>b*4</i> )    | 0         | 4,571,948.67        |
| d) Actual paid                            | 0         | 5,912,564.00        |
| <b>Prepaid Medical Cover (<i>d-c</i>)</b> | <b>0</b>  | <b>1,340,615.33</b> |

**22. Ordinary Share Capital**

|  | 2024/2025      | 2023/2024      |
|--|----------------|----------------|
|  | Kshs           | Kshs           |
| <b>Authorized:</b>                               |                |                |
| 1,000 ordinary shares of Kshs.100 par value each | 100,000        | 100,000        |
| <b>Issued and fully paid:</b>                    |                |                |
| 1,000 ordinary shares of Kshs.100 par value each | <b>100,000</b> | <b>100,000</b> |

**23. Capital Development Fund**

|                             | 2024/2025          | 2023/2024          |
|-----------------------------|--------------------|--------------------|
|                             | Kshs               | Kshs               |
| <b>Previous balance b/f</b> | <b>215,000,000</b> | <b>215,000,000</b> |
| Addition in the Year        | 0                  | 0                  |
| <b>Total</b>                | <b>215,000,000</b> | <b>215,000,000</b> |

This is made up of Kshs. 87,000,000 and Kshs. 128,000,000 received from County Government of Kakamega in the year 2021 and 2022 respectively for Development Projects.

**24. 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.

|                            | Retained earnings    |
|----------------------------|----------------------|
| <b>As at July 1, 2024</b>  | (320,282,905)        |
| Profit for the year        | (5,400,381)          |
| <b>As at June 30, 2024</b> | <b>(325,683,286)</b> |
| <b>As at July 1, 2025</b>  | <b>(325,683,286)</b> |
| Profit/(loss) for the year | (316,430)            |
| Reinstatement of bad debts | (55,408,512)         |
| <b>As at June 30, 2025</b> | <b>(381,408,228)</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

**25. Loan revaluation**

|                            | <b>Loan Revaluation</b> |
|----------------------------|-------------------------|
| As at July 1, 2024         | 0                       |
| Loan Revaluation           | 376,941,840             |
| <b>As at June 30, 2025</b> | <b>376,941,840</b>      |

**Breakdown of the loan revaluation**

| <b>No.</b> | <b>Loan details</b>       | <b>Amount<br/>Kshs</b> |
|------------|---------------------------|------------------------|
| 1          | KfW Loan                  | 38,387,465             |
| 2          | World Bank Loan-Mumias    | 275,541,203            |
| 3          | World Bank Loan-Lumakanda | 63,013,172             |
|            | <b>Total</b>              | <b>376,941,840</b>     |

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

Updated NSSF contribution rates, effective February 2025 were as follows;

| <b>Category</b>   | <b>Year 2 (Current Rates)</b> | <b>Year 3 (Starting February 2025)</b> |
|---|-------------------------------|--|
| Lower Limit (Tier I)  | Kshs 7,000                    | Kshs 8,000                             |
| Employee Contribution                                       | Kshs 420                      | Kshs 480                               |
| Employer Contribution                                       | Kshs 420                      | Kshs 480                               |
| <b>Total Tier I Contribution</b>                            | <b>Kshs 840</b>               | <b>Kshs 960</b>                        |
| Upper Limit (Tier II)                                       | Kshs 36,000                   | Kshs 72,000                            |
| Contribution on Upper Limit<br>(6% of pensionable earnings) | Kshs 29,000                   | Kshs 64,000                            |
| Employee Contribution                                       | Kshs 1,740                    | Kshs 3,840                             |
| Employer Contribution                                       | Kshs 1,740                    | Kshs 3,840                             |
| <b>Total Tier II Contribution</b>                           | <b>Ksh 3,480</b>              | <b>Ksh 7,680</b>                       |
| <b>Total NSSF Contribution<br/>(Tier I + Tier II)</b>       | <b>Ksh 4,320</b>              | <b>Ksh 8,640</b>                       |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

Notes to the financial statements (continued)

**26. Borrowings**

| Description                         | 2024/2025         | 2023/2024 |
|-------------------------------------|-------------------|-----------|
|                                     | Kshs              | Kshs      |
| <b>External Borrowings</b>          |                   |           |
| Balance at beginning of the year    | 40,747,070        | 0         |
| External borrowings during the year | 0                 | 0         |
| Repayments of during the year       | (6,712,149)       | 0         |
| <b>Balance at end of the year</b>   | <b>34,034,921</b> | <b>0</b>  |

Gross borrowing comprises of Kshs. 33,212,549 for LVNWWDA and Kshs. 7,534,521 for Motor Vehicle Loan and Kshs 3,600.000 and Kshs. 3,112,149 for borrowings repaid for the year respectively.

**27. Long Term Payables**

| Description                     | 2024/2025         | 2023/2024          |
|---------------------------------|-------------------|--------------------|
|                                 | Kshs              | Kshs               |
| KfW                             | 0                 | 38,387,465         |
| World Bank-Mumias               | 0                 | 275,541,203        |
| World Bank-Lumakanda            | 0                 | 63,013,172         |
| Motor Vehicles                  | 4,422,372         | 7,067,367          |
| LVNWWDA                         | 29,612,549        | 24,669,225         |
| <b>Total Long Term Payables</b> | <b>34,034,921</b> | <b>408,678,432</b> |

**Aging Analysis for Long Term Payables**

|                | 2024/2025         | % of the total | 2023/2024          | % of the total |
|----------------|-------------------|----------------|--------------------|----------------|
| Under one year | 0                 | 0%             | 0                  | 0%             |
| 1-2 years      | 0                 | 0%             | 7,067,367          | 17%            |
| 2-3 years      | 4,422,372         | 13%            | 0                  | 0%             |
| Over 3 years   | 29,612,549        | 87%            | 401,611,065        | 83%            |
| <b>Total</b>   | <b>34,034,921</b> | <b>100%</b>    | <b>408,678,432</b> | <b>100%</b>    |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

Notes to the financial statements (continued)

**28. Trade & Other Payables**

| Description                             | 2024/2025          | 2023/2024          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| Trade Payables                          | 106,675,712        | 56,396,015         |
| Other Payables                          | 283,577,315        | 206,877,450        |
| <b>Total Trade &amp; Other Payables</b> | <b>390,253,027</b> | <b>263,273,465</b> |

**Aging Analysis for Trade and Other Payables**

|                | 2024/2025          | % of the total | 2023/2024          | % of the total |
|----------------|--------------------|----------------|--------------------|----------------|
| Under one year | 58,537,954         | 15%            | 26,327,347         | 10%            |
| 1-2 years      | 70,245,545         | 18%            | 34,225,550         | 13%            |
| 2-3 years      | 89,758,196         | 23%            | 44,756,489         | 17%            |
| Over 3 years   | 171,711,332        | 44%            | 157,964,079        | 60%            |
| <b>Total</b>   | <b>390,253,027</b> | <b>100%</b>    | <b>263,273,465</b> | <b>100%</b>    |

**Detailed breakdown of trade and other payables**

| Description                                      | 2024/2025          | 2023/2024          |
|--|--------------------|--------------------|
| Trade & other Payables                           | Kshs               | Kshs               |
| Trade Payables                                   | 106,675,712        | 56,396,015         |
| <b>Total trade payables</b>                      | <b>106,675,712</b> | <b>56,396,015</b>  |
| <b>Other Payables</b>                            |                    |                    |
| WASREB   | 61,454,218         | 48,685,195         |
| Water Resources Authority                        | 6,432,886          | 6,052,188          |
| Smart People Africa                              | 7,101,636          | 5,781,000          |
| LAPTRUST   | 189,409,339        | 127,684,245        |
| LVNWWDA  | 0                  | 18,969,525         |
| Kenya Forest Services                            | 4,849,474          | 4,849,474          |
| Staff Creditors                                  | 14,329,762         | 4,854,938          |
| <b>Total Other Payables</b>                      | <b>283,577,315</b> | <b>216,876,565</b> |
| <b>Total Trade Payables &amp; Other Payables</b> | <b>390,253,027</b> | <b>263,273,465</b> |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

**Detailed breakdown of long term payables**

| Description                     | 2024/2025         | 2023/2024          |
|---------------------------------|-------------------|--------------------|
| Long term payables              | Kshs              | Kshs               |
| KfW                             | 0                 | 38,387,465         |
| World Bank-Mumias               | 0                 | 275,541,203        |
| World Bank-Lumakanda            | 0                 | 63,013,172         |
| Motor Vehicles                  | 4,422,372         | 7,067,367          |
| LVNWWDA                         | 29,612,549        | 24,669,225         |
| <b>Total Long Term Payables</b> | <b>34,034,921</b> | <b>408,678,432</b> |

**29. Refundable Customer Deposits**

| Description  | 2024/2025        | 2023/2024        |
|--------------|------------------|------------------|
|              | Kshs             | Kshs             |
| Balance B/F  | 3,242,000        | 0                |
| July         | 387,000          | 270,500          |
| August       | 178,500          | 277,000          |
| September    | 240,500          | 340,000          |
| October      | 167,500          | 346,099          |
| November     | 158,500          | 252,000          |
| December     | 170,000          | 255,000          |
| January      | 283,500          | 355,000          |
| February     | 338,000          | 172,500          |
| March        | 292,500          | 241,000          |
| April        | 181,000          | 106,000          |
| May          | 333,750          | 214,500          |
| June         | 276,892          | 126,000          |
| <b>Total</b> | <b>6,249,642</b> | <b>2,955,599</b> |

**Aging Analysis for Refundable Customer Deposits**

|                | 2024/2025        | % of the total | 2023/2024        | % of the total |
|----------------|------------------|----------------|------------------|----------------|
| Under one year | 3,007,642        | 48%            | 0                | 0              |
| 1-2 years      | 3,242,000        | 52%            | 2,955,599        | 100%           |
| 2-3 years      | 0                | 0              | 0                | 0              |
| Over 3 years   | 0                | 0              | 0                | 0              |
| <b>Total</b>   | <b>6,249,642</b> | <b>100%</b>    | <b>2,955,599</b> | <b>100%</b>    |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

**30. Customer Deposits**

|                    | <i>2024/2025</i> | <i>2023/2024</i> |
|--------------------|------------------|------------------|
| <b>Description</b> | <b>Kshs</b>      | <b>Kshs</b>      |
| July               | 387,000          | 270,500          |
| August             | 178,500          | 277,000          |
| September          | 240,500          | 340,000          |
| October            | 167,500          | 346,099          |
| November           | 158,500          | 252,000          |
| December           | 170,000          | 255,000          |
| January            | 283,500          | 355,000          |
| February           | 338,000          | 172,500          |
| March              | 292,500          | 241,000          |
| April              | 181,000          | 106,000          |
| May                | 333,750          | 214,500          |
| June               | 276,892          | 126,000          |
| <b>Total</b>       | <b>3,007,642</b> | <b>2,955,599</b> |

**31. Customer Deposits Refunded**

|                       | <i>2024/2025</i> | <i>2023/2024</i> |
|-----------------------|------------------|------------------|
| <b>Account Number</b> | <b>Kshs</b>      | <b>Kshs</b>      |
| Suresh Kumar          | 2,500            | 0                |
| Fauzia Saidi Bisher   | 10,000           | 0                |
| Lydia Juma            | 2,500            | 0                |
| Musambai Jane         | 2,500            | 0                |
| Merceline Awuor Obuya | 1,500            | 0                |
| Bonface Wabuko        | 2,500            | 0                |
| Aggrey Simiyu         | 1,500            | 0                |
| Kenneth Okoth         | 0                | 11,565           |
| Shamia Fredrick       | 0                | 20,000           |
| Eunice Ronoh          | 0                | 12,000           |
| <b>Total</b>          | <b>23,000</b>    | <b>43,565</b>    |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

**Other Disclosures**

**32. Related Party Disclosures**

**County Government of Kakamega**

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

Other related parties include:

- The County Department in charge of Water
- County Government of Kakamega
- Water Works Agencies
- WASREB (Water Services Regulatory Board)
- WRA (Water Resources Authority)
- Water Sector Trust Fund
- Key Management Team
- Board of Directors

**(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.

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.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

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.

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.

**(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.

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

**a) Foreign currency risk**

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

**b) Foreign currency sensitivity analysis**

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

**c) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

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

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

Determination of fair value and fair values hierarchy

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

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

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

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

**iv) Capital Risk Management**

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

**33. Incorporation**

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

**34. Events After the Reporting Period**

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2025**

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

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

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

Determination of fair value and fair values hierarchy

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

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

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

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

**iv) Capital Risk Management**

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

**33. Incorporation**

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

**34. Events After the Reporting Period**

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

**20. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

| <b>Reference No. on the external audit Report</b>      | <b>Issue / Observations from Auditor</b>  | <b>Management comments</b>   | <b>Status: (Resolved / Not Resolved)</b> | <b>Timeframe: (Put a date when you expect the issue to be resolved)</b> |
|--|---|--|--|---|
| <b>1. Trade and Other Receivables</b>                  |   |  |  |   |
| <b>1.1.Misstatement Of Trade And Other Receivables</b> | <p>The statement of financial position reflects trade and other receivables balance of Kshs.247, 315,566 as disclosed in Note 18 to the financial statements. However, the detailed ageing analysis to ascertain the age of the debts and a report on their recoverability was not provided for audit review. In addition, the general ledger shows a trade receivables balance of Kshs.328, 592,352 which differs from Kshs.330, 203,606 in note 18 (a) to the financial statements resulting to an unexplained variance of Kshs.1, 611,254.</p> <p>In the circumstances, the accuracy and completeness of trade and other receivables</p> | <p><b>Response on non-provision of detailed ageing analysis and a report on their recoverability</b></p> <p>The ageing analysis was provided in the financial statements under note number 18 (a) page number 27 and a separate schedule supporting the figures was attached.</p> <p>Management has resubmitted the same for your audit review.</p> <p><b>Report on their recoverability</b></p> <p>During the audit process management submitted the report on debt recoverability for audit and the same has been availed for your audit review.</p> | Resolved awaiting senate clearance       | Done  |

|  |   |  |  |  |
|--|---|--|--|--|
|  | <p>balance of Kshs.247, 315,566 could not be confirmed.</p> | <p><b>Explanation of the variance of Kshs.1, 611,254.</b></p> <p>The original general ledger provided earlier amounting to Kshs. 328, 592,352 was revised to Kshs. 330,203,606 and submitted for audit after carrying out a reconciliation. The variance of Kshs.1, 611,254 was the amount of debtors that had not been included in the original Schedule. Management has provided a schedule of Kshs.1, 611,254 and a revised general ledger which add up to Kshs.330, 203,606 for your audit review.</p> <p><i>See Annex 1.1 (i) Extract of Audited financial statement note number 18 (a)</i></p> <p><i>See Annex 1.1. (ii) Summary of Ageing Analysis as per the scheme and detailed analysis in soft copy.</i></p> <p><i>See Annex 1.1. (iii) Report on the recoverability dated 8th June 2024.</i></p> <p><i>See Annex 1.1. (iv) A schedule of Kshs.1, 611,254</i></p> |  |  |
|--|---|--|--|--|

|  |   |   |                 |                                |
|--|---|---|-----------------|--------------------------------|
|  |   | <p><i>See Annex 1.1 (v) Original general ledger of Kshs. 328, 592,352</i></p> <p><i>See Annex 1.1. (V) Revised general ledger of Kshs.330, 203,606</i></p>  |                 |                                |
| <p><b>1.2. Unsupported Bad Debts Written-Off</b></p> | <p>The statement of financial position reflects trade and other receivables balance of Kshs.247, 315,566 as disclosed in Note 18 to the financial statements. The receivables balance was reduced by a bad debts written-off amount of Kshs.55, 408,532. However, the supporting documents of approval of the debts write-off by the company’s board of directors and the county executive committee of the write-offs were not provided for audit review.</p> <p>In the circumstances, the accuracy and completeness of trade and receivables balance of Kshs.247, 315,566 could not be confirmed.</p> | <p><b>1. Trade and Other Receivables</b></p> <p><b>1.1 Misstatement of Trade and Other Receivables</b></p> <p>The statement of financial position reflects trade and other receivables balance of Kshs.247, 315,566 as disclosed in Note 18 to the financial statements. However, the detailed ageing analysis to ascertain the age of the debts and a report on their recoverability was not provided for audit review. In addition, the general ledger shows an trade receivables balance of Kshs.328, 592,352 which differs from Kshs.330, 203,606 in note 18 (a) to the financial statements resulting to an unexplained variance of Kshs.1, 611,254.</p> <p>In the circumstances, the accuracy and completeness of trade and other</p> | <p>Resolved</p> | <p>Reinstated to the books</p> |

|  |  |   |  |  |
|--|--|---|--|--|
|  |  | <p>receivables balance of Kshs.247, 315,566 could not be confirmed.</p> <p><b>Management Response</b></p> <p><b>Response on non-provision of detailed ageing analysis and a report on their recoverability</b></p> <p>The ageing analysis was provided in the financial statements under note number 18 (a) page number 27 and a separate schedule supporting the figures was attached.</p> <p>Management has resubmitted the same for your audit review.</p> <p><b>Report on their recoverability</b></p> <p>During the audit process management submitted the report on debt recoverability for audit and the same has been availed for your audit review.</p> <p><b>Explanation of the variance of Kshs.1, 611,254.</b></p> <p>The original general ledger provided earlier amounting to Kshs. 328, 592,352 was revised to Kshs. 330,203,606 and submitted for audit</p> |  |  |
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|  |  | <p>after carrying out a reconciliation. The variance of Kshs.1, 611,254 was the amount of debtors that had not been included in the original Schedule. Management has provided a schedule of Kshs.1, 611,254 and a revised general ledger which add up to Kshs.330, 203,606 for your audit review.</p> <p><i>See Annex 1.1 (i) Extract of Audited financial statement note number 18 (a)</i></p> <p><i>See Annex 1.1. (ii) Summary of Ageing Analysis as per the scheme and detailed analysis in soft copy.</i></p> <p><i>See Annex 1.1. (iii) Report on the recoverability dated 8th June 2024.</i></p> <p><i>See Annex 1.1. (iv) A schedule of Kshs.1, 611,254</i></p> <p><i>See Annex 1.1 (v) Original general ledger of Kshs. 328, 592,352</i></p> <p><i>See Annex 1.1. (V) Revised general ledger of Kshs.330, 203,606</i></p> |  |  |
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|  |  | <p><b>1.2 Unsupported Bad Debts Written-Off</b></p> <p>The statement of financial position reflects trade and other receivables balance of Kshs.247, 315,566 as disclosed in Note 18 to the financial statements. The receivables balance was reduced by a bad debts written-off amount of Kshs.55, 408,532. However, the supporting documents of approval of the debts write-off by the company's board of directors and the county executive committee of the write-offs were not provided for audit review.</p> <p>In the circumstances, the accuracy and completeness of trade and receivables balance of Kshs.247, 315,566 could not be confirmed.</p> <p><b>Management Response</b></p> <p><b>Response on non-provision of supporting documents of approval of debts write-off by the company's board of directors and the County Executive Committee.</b></p> |  |  |
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|   |  | <p>During the time of audit, management submitted a board resolution through minutes dated 8<sup>th</sup> February 2021. However the auditor was not satisfied since the letter from the County Executive Committee was not availed by then.</p> <p>However management has taken note of it and has resubmitted the board resolution and availed the letter from the County Executive Committee approving the write-off of bad debts Kshs.55, 408,532.</p> <p><i>See Annex 1.2. (i) Minutes of Board approval for the bad debt written off of Ksh. 55,408,532.</i></p> <p><i>See Annex 1.2. (ii) Approval letter from the County Executive Committee.</i></p> |   |             |
| <p><b>2. Misstatement of Trade and Other Payables</b></p> | <p>The statement of financial position reflect Trade and other payables balance of Kshs.263, 273,426 as disclosed in note 24 to the financial statements. However, the general ledgers and subsidiary ledgers for the payables reflects a balance of Kshs.278,</p> | <p><b>Explanation of the variance of Kshs.15, 439,976</b></p> <p>The difference of Kshs.15, 439,976 resulted from the outstanding payments to Water Sector Regulatory Board (WASREB) the original schedules of</p>  | <p>Resolved awaiting senate clearance</p> | <p>Done</p> |

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|  | <p>713,402 resulting to an unexplained variance of Kshs.15, 439,976.</p> <p>In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.263, 273,426 could not be confirmed.</p> | <p>Kshs.278, 713,402 which included Kshs 15,439,976 for WASREB was extracted from the ERP system before reconciliation with Water Regulation Information System (WARIS) reporting platform which is managed by WASREB.</p> <p>By the time of audit, management had done system reconciliation and the final figure for trade payable to WASREB came to Kshs.35, 730,482 from the original figure of Kshs 51,314,176.Management reinstated the payables balance of Kshs 263, 273,426 as the final figure for trade payables.</p> <p><i>See Annex 2.(i) Original Trade payable and other payable Schedule of Kshs. 278, 713,402</i></p> <p><i>See Annex 2.(ii) Revised Trade Payable and other payable Schedule of Kshs. 263, 273,426</i></p> <p><i>See Annex 2.(iii) Schedule of variance of Kshs.15, 439,976 to WASREB.</i></p> |  |  |
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| <p><b>3. Material Uncertainty Related to Going Concern</b></p> | <p>The statement of profit or loss and other comprehensive income reflects a net operating loss of Kshs.5, 400,381 and Kshs.6, 354,903 for the current and previous financial year 2022/2023. In addition, the statement of changes in equity reflects a negative retained earnings amount of Kshs.325, 683,286. This reflects a severe financial challenge facing the company which raises significant doubt on its ability to operate as a going concern.</p> <p>In the circumstances, the company's continued existence as a going concern is dependent on the financial support from its creditors and the Government.</p> | <p>The Company through the department of Water of County Government of Kakamega is currently undertaking a number of flagship projects geared to expand the revenue base and boost profitability. These Includes:</p> <ol style="list-style-type: none"> <li>1. Rehabilitation of Savona Water treatment plant works is ongoing and is expected to inject additional 6,000m3/day for Kakamega residents. The works are expected to be completed by end of FY 2025/2026 which will increase water volume and consequently revenue for the Company.</li> <li>2. The company is progressively realizing last mile connectivity through takeover of 4 more schemes (Chombeli, Handid, Lubao and Chevoso) which through feasibility study done is likely to increase the company's revenue base thus absorbing more fixed costs</li> </ol> | <p>Progressively addressed</p> | <p>Continuous</p> |
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|  |  | <p>3. Timely repair of damaged lines and bursts which estimates to reduce Non-Revenue Water from 37% to 35 %. This is estimated to expand the company revenue base by Kshs. 3 million in the FY 2024/2025.</p> <p>4. The County Government has requested the National Treasury to write off the long outstanding World Bank loans that were inherited from the Lake Victoria north water development, this loans are adversely affecting the profits as reflected in the statement of profit or loss and other comprehensive income.</p> <p><i>See Annex 3. (i) Correspondences on revival works at Savona T-Works</i></p> <p><i>See Annex 3. (ii) Budget extract for last mile connectivity</i></p> <p><i>See Annex 3. (iii) Letter from the County Government and Board minute on handover of 4 new sites.</i></p> |  |  |
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|                                  |   | <p><i>See Annex 3. (iv) Extract of financing contract for Shitoli Household Project</i></p> <p><i>See Annex 3. (v) Letter from the Governor to the National Treasury requesting write off of the existing loans.</i></p> <p><i>See Annex 3. (vi) Extract of statement of profit or loss and comprehensive income.</i></p>  |                                |                   |
| <p><b>Emphasis of Matter</b></p> | <p>The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.690,492,367 and Kshs.363,832,165 respectively, resulting into an underfunding of Kshs.326,660,203 or 47% of the budget.</p> <p>Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.369,492,367 and Kshs.369,232,545 respectively, resulting in an under expenditure of Kshs.259,822.</p> <p>However, the budget statement reflects an incorrect variance of Kshs.11, 628,609 of the budgeted amount.</p> | <p><b>Underfunding of Kshs.326, 660,203 or 47%</b></p> <p>The under-funding of Kshs.326, 660.203 was caused by donors from external funding not honoring their pledges and disbursing funds to water company as envisaged in the initial budget. The donors were to disburse Kshs.324, 000,000 and Ksh. 2,660,203 but as at 30<sup>th</sup> June 2024 this amount had not been disbursed.</p> <p>However, management has taken note and will adhere in making realistic projections on any external funding to only factor proven commitments.</p> | <p>Progressively addressed</p> | <p>Continuous</p> |

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|                            | <p>In the circumstances, the under-funding of the planned activities may impact negatively on the service delivery of the Company.</p>  | <p><b>Explanation of the incorrect variance of Kshs.11, 628,609.</b></p> <p>Management has noted and state that the Kshs.11, 628,609 was a casting error on the statement of comparison of budget and actual amounts, however this error did not have any effect on the total loss realised. Management has noted and the errors have been corrected in subsequent years.</p> <p><i>See Annex EM Schedule of Kshs 324, 000,000 and Ksh. 2,660,203 from partners.</i></p> |                                |                   |
| <p><b>Other Matter</b></p> | <p><b>Unresolved Prior Year Matters</b></p> <p>In the report for the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, management has not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.</p> | <p>The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.690,492,367 and Kshs.363,832,165 respectively, resulting into an underfunding of Kshs.326,660,203 or 47% of the budget.</p> <p>Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.369,492,367 and Kshs.369,232,545 respectively,</p>   | <p>Progressively addressed</p> | <p>Continuous</p> |

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|  |  | <p>resulting in an under expenditure of Kshs.259,822. However, the budget statement reflects an incorrect variance of Kshs.11, 628,609 of the budgeted amount.</p> <p>In the circumstances, the under-funding of the planned activities may impact negatively on the service delivery of the Company.</p> <p><b>Management Response</b></p> <p><b>Underfunding of Kshs.326, 660,203 or 47%</b></p> <p>The under-funding of Kshs.326, 660.203 was caused by donors from external funding not honoring their pledges and disbursing funds to water company as envisaged in the initial budget. The donors were to disburse Kshs.324, 000,000 and Ksh. 2,660,203 but as at 30<sup>th</sup> June 2024 this amount had not been disbursed.</p> <p>However, management has taken note and will adhere in making realistic</p> |  |  |
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|  |  | <p>projections on any external funding to only factor proven commitments.</p> <p><b>Explanation of the incorrect variance of Kshs.11, 628,609.</b></p> <p>Management has noted and state that the Kshs.11, 628,609 was a casting error on the statement of comparison of budget and actual amounts, however this error did not have any effect on the total loss realised. Management has noted and the errors have been corrected in subsequent years.</p> <p><i>See Annex EM Schedule of Kshs 324, 000,000 and Ksh. 2,660,203 from partners.</i></p> <p><b>Other Matter</b></p> <p><b>Unresolved Prior Year Matters</b></p> <p>In the report for the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, management has</p> |  |  |
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|   |   | <p>not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury’s Circular.</p> <p><b>Management Response</b></p> <p>Management has implemented most of the prior year issues as indicated in the audit report under page number 36 and awaiting senate resolution.</p> <p>Management has attached a summary of issues that have been implemented for your audit review.</p> <p><i>See Annex OM Schedules of prior year’s issues that have been implemented.</i></p> |                                |                   |
| <p><b>1. Non- Allowable Loss of Non-Revenue Water</b></p> | <p>During the year under review, record from the company revealed that it produced 4,737,376 cubic meters (M<sup>3</sup>) of water out of which 2,993,553 cubic meters (M<sup>3</sup>) or approximately 63% was distributed and billed to customers. However, the balance of 1,743,823 cubic meters (M<sup>3</sup>) or approximately 37% of the total volume produced was not billed. This is contrary to</p> | <p>Non-Revenue Water has been a great challenge to the company since it contributes a lot on the loses realised year in year out. Management has provided below the causes of non-revenue water and possible measures to mitigate against them;</p> <ol style="list-style-type: none"> <li>1. During the year under review, upgrading of murrum roads to</li> </ol>  | <p>Progressively addressed</p> | <p>Continuous</p> |

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|  | <p>the Water Services Regulatory Board (WASREB) guidelines which provide an allowable maximum loss of 25% for every cubic meter (M<sup>3</sup>) or 435,956M<sup>3</sup></p> | <p>tarmac road by both National and County governments took place on a high gear that found most of our water pipelines that were once installed along the roads being damaged by road work contractors, leading to wastage of huge volumes of water. The specific pipelines that were affected by these road works were; Kakamega area:-<br/>         Shitaho – Shivakala, Mahiakalo<br/>         – Nyayo tea Zone- Shitaho,</p> <p><b>Measures Taken</b></p> <p>The company engaged both the National and the County Government and submitted demand letters to the respective contractors to replace the damaged water pipelines.</p> <p><b>2. Illegal water consumption through self-reconnection by customers on disconnection due to non-payment of water bills.</b></p> <p><b>Measures Taken</b></p> |  |  |
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|  |  | <ul style="list-style-type: none"> <li>• The company has enhanced inspection on disconnected accounts and we are carrying out continuous meter sealing to deter self-reconnection.</li> <li>• The company is also entering into part payment with the defaulters to reinstate their supply.</li> </ul> <p><b>2. Under registering consumer water meters due to being aged, poor quality and tempered with.</b></p> <p><b>Measures taken</b></p> <ul style="list-style-type: none"> <li>• Through support of WASPA the Company has entered into partnership with KIWASCO for meter calibration.</li> <li>• Management is doing massive faulty meter replacement</li> <li>• Management has upgraded on the quality of consumer meters it uses from ordinary meters to smart enabled class c ones.</li> </ul> |  |  |
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|  |  | <ul style="list-style-type: none"> <li>• To deter meter tempering the NRW unit is doing meter sealing and surcharging the culprits.</li> </ul> <p><b>3. Frequent water pipeline bursts and leakages due to aged and poor-quality pipes.</b></p> <p><b>Measures taken</b></p> <ul style="list-style-type: none"> <li>• The management has zoned water supply infrastructure in terms of pipeline water pressures in order to guide on class of pipes to use.</li> <li>• The management is also upgrading from use of pvc pipes to use of HDPE pipes which are of better quality.</li> </ul> <p><b>4. Funding Bottlenecks towards management of NRW</b></p> <p><b>Measures taken</b></p> <ul style="list-style-type: none"> <li>• Through support of USAID the company has developed a NRW management policy that was approved in December 2023 whose implementation ongoing.</li> </ul> |  |  |
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|  |  | <p>To actualize the NRW Management policy, the company has also developed and is implementing NRW reduction strategy on annual basis</p> <ul style="list-style-type: none"> <li>• Management has established a NRW section whose responsibility is to implement NRW management strategies. The section is being headed by a NRW manager</li> </ul> <p>The company has developed NRW Strategy. In the last two years, the percentage has dropped tremendously from a high of 42% and now stands at NRW of 37%.</p> <p><i>See Annex BC. (i) Issuance of meters from Lake Victoria North Water Works Agency</i></p> <p><i>See Annex BC. (ii) Sample of road works demand letters</i></p> <p><i>See Annex BC. (iii) Technical Guidelines for water Meter</i></p> |  |  |
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|   |   | <p><i>See Annex BC. (iv) Non-Revenue Water Policy</i></p> <p><i>See Annex BC. (v) Non Revenue Water Reduction Strategy Paper</i></p> <p><i>See Annex BC. (vi) Appointment of Non-Revenue Water Manager</i></p>   |   |             |
| <p><b>2. Irregular Expenditure on Members of County Assembly (MCAs)</b></p> | <p>The statement of profit or loss and other comprehensive income reflects general and operational expenses of Kshs.128, 818,795 and as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.4, 085,000 in respect of stakeholders’ awareness and AGM expenditure. Included in the expenditure is Kshs.1, 279,000 for paying allowances to Members of the County Assembly, County Government of Kakamega during County Assembly meetings in Kakamega. The meetings and payment of allowances were sanctioned by the County Executive and County Assembly. This is contrary to Regulation 42(1) (b) of the Public Finance (County Governments) Regulations, 2015 which requires that an Accounting Officer shall ensure that public funds entrusted to their care are properly</p> | <p>The said meetings were sanctioned by both the executive and the clerk to the assembly however the amount paid was not regarded as allowance but rather the re-imbursement for transport and other travel costs to the venue of the said meeting. Management shall implement the recommendations by the Office of the Auditor General.</p> <p><i>See Annex BC 2.1- Communication through letters sanctioning the meeting</i></p> | <p>Resolved awaiting senate clearance</p> | <p>Done</p> |

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|                                   | <p>safeguarded and are applied for purposes for which they were intended and appropriated by the County Assembly.</p> <p>In the circumstances, Management was in breach of law</p>   |  |                                |                   |
| <p><b>3. Excess Wage Bill</b></p> | <p>The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.180, 074,012 as disclosed in note 10 to the financial statement. The amount is equivalent to 49% of the total revenue of the water company amounting to Kshs.363, 832,165 against the required ratio of 30%. Additionally, the current staff numbers one hundred and sixty-seven (167) staff which differs from recommended industry requirement for the water company of ninety (90) staff resulting in excess staffing of seventy seven (77) personnel. This is contrary to the Table 3.2 of WASREB Impact Performance Report No.16/2024 of Kenya Water Sector in 2022/2023 financial year which classifies Kakamega County Water and Sanitation Company as a very large water service provider and provides that the</p> | <p>After transfer of service of 38 staff to Rural Company in the year 2022 January, KACWASCO reorganized its staff and appointed various staff in certain positions for continuity of service delivery. Bungoma Court further nullified the transfer of the 38 staff and reinstated them in the existing ranks of the company which caused high wage bill.</p> <p>167 staff</p> <p><b>Way forward</b></p> <p>Management has put the following measure in place to reduce the excess wage bill,</p> <ul style="list-style-type: none"> <li>• Management is undertaking restructuring with an objective to streamline staff productivity and work-load rationalisation.</li> </ul> | <p>Progressively addressed</p> | <p>Continuous</p> |

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|  | <p>acceptable sector bench mark for staff productivity to be 5 per 1000 active connections.</p> <p>In the circumstances, Management was in breach of the law</p> | <ul style="list-style-type: none"> <li>• Management has also absorbed 4 new scheme to enhance service delivery to the people of Kakamega County. A feasibility study was conducted and the schemes have been deemed viable. They include Chombeli, Handid, Lubao and Chevoso. Management intends to redeploy a number of staff to work in the new stations as a way of complying with the regulator on staff productivity ratio. Management estimates that these new stations will expand its revenue base by Ksh. 500,000 per month.</li> <li>• Management has put in place strategies to reduce none revenue water from 37% to 35 %. This is estimated to expand the company revenue base by Kshs. 3 million in the FY 2024/2025.</li> </ul> |  |  |
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|  |   | <ul style="list-style-type: none"> <li>• Management has frozen new hires and replacement of vacant positions.</li> </ul> <p><i>See Annex BC 3 (i) Court ruling</i><br/> <i>See Annex BC 3. (ii) Correspondences on recall of 38 staff and deployment memo</i><br/> <i>See Annex BC 3. (iii) Staff Headcount Report</i><br/> <i>See Annex BC 3 (iv) Approval of freezing new employment</i></p>   |                                |                   |
| <p><b>4. Non-compliance with the Law on Ethnic Diversity</b></p> | <p>During the year under review, the audit revealed that one hundred and thirty three (133) staff or 80% of the total staff population of one hundred and sixty seven (167) are from one ethnic community this is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides 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>Most of the staff were employed before enactment of section 7(2) of the National cohesion and integration Act 2008. Since enactment and coming into force of the above section of the law, management has endeavored to ensure compliance while recruiting staff of the company. Kakamega County Water and Sanitation Company was established under the Kakamega County Water and Sanitation Services Act 2021, Incorporated under the Companies Act 2015 after devolution. The Company has had various</p> | <p>Progressively addressed</p> | <p>Continuous</p> |

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|  |  | <p>transitions since 2006 when it was first established. Majority of staff were inherited from the National Water Corporation and they were on permanent and pensionable terms. During financial year 2022/2023, the company advertised for various management positions and the recruitment factored ethnicity representation. Management has provided the current staff employed for your audit review.</p> <p><b>List of Staff Recruited in May 2023</b></p> |  |  |
|  |  | <p>In future recruitments, management shall adhere to Section 7(2) of the National Cohesion and Integration Act, 2008 as required.</p> <p><i>See Annex BC 4.(i) Extract of Human resource policy</i></p> <p><i>See Annex BC 4.(ii) Copy of newspaper advertisement for the latest recruitment</i></p> <p><i>See Annex BC 4.(iii) Appointment Letters</i></p> <p><i>See Annex BC 4. (iv) List of Staff Recruited in May 2023</i></p>                             |  |  |

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| <p><b>5. Long Outstanding Trade and Other Payables</b></p> | <p>The statement of financial position reflects reflects trade and other payables of Kshs.671,951,897 as disclosed in note 24 to the financial statements. Included in the balance is a long term payables balance of Kshs.408, 678,432, which have been outstanding for more than three years. The long outstanding payables comprise of Kreditanstalt fur Wiederaufbau (KFW) of Kshs.38, 387,465, World Bank-Mumias of Kshs.275, 541,203, World Bank-Lumakanda of Kshs.63, 013,172, and Motor Vehicles of Kshs.7, 067,367.</p> <p>In the circumstances, there is risk of loss of public funds through litigations, interests and penalties.</p> <p>In the Circumstances, management was in breach of the law.</p> | <p>Management has noted and says that the loans from Kreditanstalt fur Wiederaufbau (KFW) of Kshs.38, 387,465, World Bank-Mumias of Kshs.275, 541,203, World Bank-Lumakanda of Kshs.63, 013,172 were inherited from Lake Victoria north water works development agency, management has taken the following measures to mitigate itself against such risks;</p> <p>Management has initiated engagements with the National Government through the County Government of Kakamega on possibility of writing off these loans secured with World Bank since they were inherited and amount involved is high which can adversely affect the operations of the company.</p> <p>In case negotiations with the National Government fails to materialise then management will put the following measures in place to clear the loans</p> | <p>Resolved awaiting senate clearance</p> | <p>Continuous</p> |
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|   |   | <ol style="list-style-type: none"> <li>1. Will enter into a payment plan with these creditors</li> <li>2. Will provide funds in the budget to settle the loans gradually.</li> </ol> <p><b>Motor Vehicles of Kshs.7, 067,367.</b><br/> The company is repaying this loan promptly and is projected to finish its instalments in the next 2years.<br/> <i>See Annex BC 5. (i) Sample of meeting called to discuss payment Plan with Lake Victoria North Water Works Agency</i></p> |                                    |      |
|   |   | <p><i>See Annex BC 5. (ii) Letter to the National Government through County Government of Kakamega requesting for waiver on World Bank Loans</i><br/> <i>See Annex BC 5. (iii) Sample of Standing orders in place.</i></p>  |                                    |      |
| <b>6. Lack of an Updated Asset Register</b> | The statement of financial position reflects property, plant and equipment balance of Kshs.210, 706,464 as disclosed in note 16 to financial statements. However, the assets register maintained by the company did not include tag numbers, year of purchase, serial | Management has an asset register however it is missing some of the components like tag numbers and book values to some of assets that were inherited from Lake Victoria North which needs revaluation to a certain the  | Resolved awaiting senate clearance | Done |

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|  | <p>numbers and condition of the assets. In addition, physical verification carried out revealed that several assets were not tagged/coded. This is contrary to Regulation 143. (1) of the Public Finance Management (County Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.</p> <p>In the circumstances, Management was in breach of the law.</p>                  | <p>accurate book values. Management is currently undertaking asset tagging and further will engage professional valuers to complete the process.</p> <p><i>See Annex BC 6.(i) Extract of Asset Register.</i></p> <p><i>See Annex BC 6.(ii) Sample photos of asset tagged.</i></p> <p><i>See Annex BC 6.(iii) Budget extract for development of asset register.</i></p>   |                                |                   |
| <p><b>7. Failure to Conduct Governance Audit</b></p> | <p>During the year under review, review of the Board activities revealed that the board of directors did not sanction for a governance audit to be carried out and no supporting documents were not provided. This is contrary to Chapter 1 paragraph 1.13 (1) and (2) of the Mwongozo Code of Governance for state corporations of 2015 which provides that, the Board in consultations with the oversight office, should ensure that it subjects the organization to an annual governance audit by a member regulated by</p> | <p>The board had been newly appointed and was working on necessary governance structures including the Board committees, management team and relevant company policies. The structures are now in place and the board has as well approved 11 policies under implementation.</p> <p>We have noted the observation of the Auditor and the Board already sanctioned for a governance audit for the current FY 2024/2025.</p> | <p>Progressively addressed</p> | <p>Continuous</p> |

|   |   |  |                                |                   |
|---|---|--|--------------------------------|-------------------|
|   | <p>the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.</p> <p>In the circumstances, the management was in breach of the law.</p>  |  |                                |                   |
|   | <p>During the year under review, review of the water company records revealed that it did not have an ICT steering and strategic committee, CT security policy, and IT strategic plan and ICT operational plans. In addition, formal risk assessment was not carried out and no supporting documents were provided. This is contrary to Chapter</p>   |  |                                |                   |
| <p><b>1. Inadequate Information and Technology (IT) Internal Controls</b></p> | <p>3.3 of Mwongozo code of governance 2015 the board has the responsibility to ensure that the organization has adequate systems and processes of accountability, risk management and internal control in place. In addition, Section 3.6 the board is responsible for the formulation and establishment of an ICT policy which should be integrated into the operations of the organization.</p> <p>In the circumstances, the adequacy of information and technology internal controls could be confirmed.</p> | <p>Management has formed ICT steering and strategic committee and further drafted an IT policy. An induction has been planned in the current year to validate and adopt the policy.</p> <p>Management is in the process of doing a formal risk assessment.</p> <p><i>See Annex 1 (i) Appointment of steering committee</i></p> <p><i>See Annex 1 (ii) Draft ICT policy guidelines.</i></p> | <p>Progressively addressed</p> | <p>Continuous</p> |

**Omega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements for the year ended June 30 2025**

**Eng. Michael Ogol**

**Signature:** 

**MANAGING DIRECTOR**

**Date:** ..... 28/10/2025 .....

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

**Projects**

Projects implemented by the Company Funded by development partners.

| S/No | Project Name   | Amount in Budget (Kshs.) | Commence ment Date | Expected Completion date  | Financier                     | Targeted Beneficiary Population | Project Status (Current) for June, 2025   | Remarks.  |
|------|--|--------------------------|--------------------|---|-------------------------------|---------------------------------|---|---|
| 1.   | Construction of 5000m <sup>3</sup> Reinforced concrete ground tank at Lirhanda– Shinyalu sub county. | 97,045,948               | October 2019       | Initial date April 2020<br>Revised April 2023<br><br>To be updated once a decision on payment of IPC 6 is made. | County Government of Kakamega | 123,000                         | Foundation works 100% complete.<br><br>Columns erection 100% complete.<br><br>Walling 100% complete.<br><br>Casting of roof slab 100% complete.<br><br>Construction of resident engineers office at 96% complete.<br><br>Overall works certified progress 98% complete. | Contractor agreed to be paid Kshs 4,200,000 then finalize on interconnection and testing of the tank. |

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| S/No | Project Name  | Amount in Budget (Kshs.) | Commencement Date           | Expected Completion date | Financier               | Targeted Beneficiary Population | Project Status (Current) for June, 2025   | Remarks  |
|------|---|--------------------------|-----------------------------|--------------------------|-------------------------|---------------------------------|---|--|
| 2.   | Malava WSTF UPC 8 <sup>th</sup> Call Water Project.   | 19,819,905               | 06 <sup>th</sup> April 2022 | July 2025                | Water Sector Trust Fund | 2,700                           | 100% completed  | Commissioned on 14 <sup>th</sup> Dec 2023. Awaiting final funds disbursement from WSTF.                        |
| 3.   | Rehabilitation of eroded Tindinyo raw water pipeline. | 10,500,000               | September 2022              | August 2025              | KACWASC O               | 180,000                         | <ul style="list-style-type: none"> <li>- Contractor mobilized to site.</li> <li>- Sand coffer dam for river diversion done.</li> <li>- Earth works done.</li> <li>- Anchor blocks done.</li> <li>- Retaining wall foundation works done.</li> <li>- 100% of retaining wall works done.</li> <li>- 85% of rock fill works done.</li> <li>- 97% of the works done.</li> </ul> | <p>1<sup>st</sup> IPC of 30% raised and partially paid.</p> <p>2<sup>nd</sup> IPC raised, pending payment.</p> |

**Kakamega County Water and Sanitation Company Limited**  
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| S/No | Project Name   | Amount in Budget (Kshs.)         | Commencement Date | Expected Completion date | Financier | Targeted Beneficiary Population | Project Status (Current) for June, 2025  | Remarks   |
|------|--|----------------------------------|-------------------|--------------------------|-----------|---------------------------------|--|---|
| 4.   | Water pipeline relocation along Joyland – Ilesi Bypass road.         | 22,000,000<br>(Financier – KURA) | September 2022    | August 2025              | KURA      | 15,600                          | <ul style="list-style-type: none"> <li>- Pipeline laying done to 90%.</li> <li>- Partial pressure testing done.</li> <li>- Chamber construction done to 85%.</li> <li>- 95% of the works completed.</li> </ul> | <p>Micro tunneling works for 6Nr. Road crossing service ducts done.</p> <p>Final last mile connectivity pipeline extensions being done.</p> |
| 5.   | Construction of Museno and Manyulia tank site staff and guard houses | 3,000,000                        | Aug 2022          | August 2025              | KACWASCO  | 12,500                          | <ul style="list-style-type: none"> <li>- Museno tank works done 100%</li> <li>- Second IPC for Museno raised and paid.</li> <li>- Manyulia tank works done to 99%.</li> </ul>                                  | <p>Works substantially complete</p> <p>IPC for Manyulia raised.</p>   |

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements for the year ended June 30 2025**

| S/No | Project Name   | Amount in Budget (Kshs.) | Commencement Date | Expected Completion date | Financier   | Targeted Beneficiary Population | Project Status (Current) for June, 2025   | Remarks  |
|------|--|--------------------------|-------------------|--------------------------|---|---------------------------------|---|--|
| 6.   | Procurement of containerized water treatment plant for Nandamaywa and Butwehe. | 192,000,000              | September 2023    | September 2025           | County Government of Kakamega                               | 32,000                          | <ul style="list-style-type: none"> <li>- Supply tender awarded and contract signed with the successful bidder.</li> <li>- Supplier paid 20% of the contract price advance payment after providing redeemable bank guarantee from Bank of Baroda (K) Ltd.</li> <li>- Designs and drawings submitted for approval.</li> </ul> | The Company is yet to receive Kshs. 64,000,000 from the County Government. |
| 7.   | Shitoli UBSUP  | 20,313,000               | May 2025          | April 2025               | WSTF  | 4,690                           | <ul style="list-style-type: none"> <li>- Financing agreement signed with WSTF</li> <li>- Advert for Social Animators done.</li> <li>- Appointment of project task team done.</li> </ul>   | Awaiting for 1 <sup>st</sup> funds disbursement from WSTF.                 |
| 8.   | KISIP for Kakamega and Mumias towns.   | 30,000,000               | December 2023     | November 2025            | World Bank implemented by the County Government of Kakamega | 13,450                          | <ul style="list-style-type: none"> <li>- Contractors mobilized to sites and works ongoing for both Mumias and Kakamega towns.</li> </ul>  |  |

Water and Sanitation Company Ltd  
 Reports and Financial Statements For the year ended June 30, 2025

| S/No | Project Name  | Amount in Budget (Kshs.) | Commencement Date | Expected Completion date | Financier               | Targeted Beneficiary Population | Project Status (Current) for June, 2025   | Remarks.   |
|------|---|--------------------------|-------------------|--------------------------|-------------------------|---------------------------------|---|--|
| 9.   | Malava Town Water Supply Lot1 Project.                | 886,172,668              | October 2023      | March 2025               | The Government of Kenya | 56,200                          | <ul style="list-style-type: none"> <li>- Contractor mobilized to site.</li> <li>- Construction of RE's office ongoing (90%).</li> <li>- Construction of 1500m<sup>3</sup> RC at tank Malaba forest ongoing.</li> <li>- Overall works done 8%.</li> <li>-</li> </ul>   | Land acquisition for intake works, water treatment plant, BPT and 100m <sup>3</sup> masonry tank is pending.   |
| 10.  | Rehabilitation of eroded Tindinyo raw water pipeline. | 10,500,000               | September 2022    | August 2025              | KACWASCO                | 180,000                         | <ul style="list-style-type: none"> <li>- Contractor mobilized to site.</li> <li>- Sand coffer dam for river diversion done.</li> <li>- Earth works done.</li> <li>- Anchor blocks done.</li> <li>- Retaining wall foundation works done.</li> <li>- 100% of retaining wall works done.</li> <li>- 85% of rock fill works done.</li> <li>- 97% of the works done.</li> </ul> | <p>1<sup>st</sup> IPC of 30% raised and partially paid.</p> <p>2<sup>nd</sup> IPC raised, pending payment.</p> |

amega County Water and Sanitation Company Limited  
Annual Reports and Financial Statements for the year ended June 30 2025

| S/No | Project Name   | Amount in Budget (Kshs.) | Commencement Date | Expected Completion date | Financier | Targeted Beneficiary Population | Project Status (Current) for June, 2025  | Remarks.  |
|------|--|--------------------------|-------------------|--------------------------|-----------|---------------------------------|--|---|
| 11.  | Water pipeline relocation along Joyland – Ilesi Bypass road.         | 22,000,000               | September 2022    | August 2025              | KURA      | 15,600                          | <ul style="list-style-type: none"> <li>- Pipeline laying done to 90%.</li> <li>- Partial pressure testing done.</li> <li>- Chamber construction done to 85%.</li> <li>- 95% of the works completed.</li> </ul> | <p>Micro tunneling works for 6Nr. Road crossing service ducts done.</p> <p>Final last mile connectivity pipeline extensions being done.</p> |
| 12.  | Construction of Museno and Manyulia tank site staff and guard houses | 3,000,000                | August 2022       | August 2025              | KACWASCO  | 12,500                          | <ul style="list-style-type: none"> <li>- Museno tank works done 100%</li> <li>- Second IPC for Museno raised and paid.</li> <li>- Manyulia tank works done to 99%.</li> </ul>                                  | <p>Works substantially complete</p> <p>IPC for Manyulia raised.</p>   |