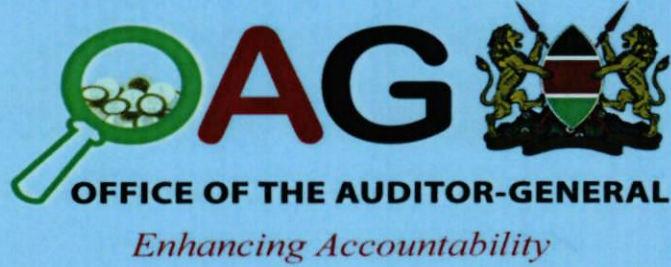


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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KAKAMEGA COUNTY WATER AND  
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

PAPERS LAID	
DATE	02/03/2022
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
ANNUAL REPORTS AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2020**

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*"Maji Safi Maisha Bora"  
"Quality Water Healthy Livelihood"*



**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
ANNUAL REPORTS AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2020**

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**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**1. KEY COMPANY INFORMATION**

Kakamega County Water and Sanitation Company (KACWASCO) was incorporated under the Kakamega County Water Act 2019. Kakamega County took over the operations of from Lake Victoria North Water Services Board (LVNWSB) 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 new constitution that made water services provision a devolved function. Initially, Kakamega County Water and Sanitation Company (KACWASCO) was incorporated under the Company Act 2015.

**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  
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**(a) Company Headquarters**

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

**(b) 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  
PO BOX 1815 - 50100  
Kakamega

**(c) Independent Auditors**






Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(d) Principal Legal Adviser**






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

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**2. THE BOARD OF DIRECTORS**





	<b>NAME &amp; PASSPORT PHOTO</b>	<b>DESIGNATION</b>	<b>QUALIFICATIONS</b>
1	<p>Prof. Laban Peter Ayiro</p> 	Chairman of the Board	PHD In Business Management, Masters In Entrepreneurship Development, Masters In Education Finance, Economics And Planning, B.Ed
2	<p>Eng. Andrew Mbayaki Makokha</p> 	Chairperson – Technical & Environment Committee	Bachelor Of Science In Civil Engineering
3	<p>Mrs. Mary Manyonge</p> 	Chairperson – Finance, HR & Administration Committee	Bachelor Of Education Kemi Diploma In Management Kim Strategic Leadership Course
4	<p>Mr. David T.L Sasala</p> 	Chairperson – Audit & Risk Assurance Committee	Bachelor Of Commerce (Accounting Option)  Post Graduate Diploma In Education
5	<p>Mrs. Jane Chebet Mitei</p> 	Member – Audit & Risk Assurance Committee	Masters In Curriculum And Instruction, Bachelor's Degree In Early Childhood And Primary Education And Religion.

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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6	<p>Mr. Moses L. Sande</p> 	<p>Director – County Attorney Member, Audit Committee &amp;</p>	<p>Masters In Laws In International Criminal Justice &amp; Armed Conflict, Bachelors In Laws, Post Graduate Diploma In Law, CPS (K)</p>
7	<p>Mr. Joseck Maloba</p> 	<p>Director – County Chief Officer Water Member – Technical Committee</p>	<p>Msc In Water Engineering Bsc Water Engineering</p>
8	<p>Amb. James Ochami</p> 	<p>Director – County Chief Officer Finance Member of Finance, HR &amp; Administration Committee</p>	<p>Master In Strategic Management, Bachelor Of Commerce, Certified Public Accountant (CPA-K)</p>
9	<p>Eng. Abdikadir M.</p>  <p>Abdi</p>	<p>Chief Executive Officer - Ex-Official Member</p>	<p>Master Of Public Administration, Bachelor Of Technology In Civil And Structural Engineering, Diploma In Civil Engineering</p>
10	<p>Ms. Christabell Ashiono</p> 	<p>Board Secretary</p>	<p>MBA – Strategic Management, PGD In Law Bachelors In Laws</p>

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**3. MANAGEMENT TEAM**

	<b>NAME</b>	<b>POSITION</b>	<b>QUALIFICATIONS</b>
1	<p>Eng. Abdikadir M. Abdi</p> 	Chief Executive Officer	Master of Public Administration, Bachelor of Technology in Civil and Structural Engineering, Diploma in Civil Engineering
2	<p>Michael Omondi Ogol</p> 	Technical Manager	Bsc. Water & Environmental Engineering
3	<p>Christabell Ashiono</p> 	Principal Legal Officer	MBA – Strategic Management, PGD in Law Bachelors in Laws
4	<p>CPA Edwin Bukweye</p> 	Commercial & Finance Manager	MBA (Finance) ,Bachelor of Commerce (Accounting), CPA(K)
5	<p>Linnet Wasaba</p> 	HR & Administration Manager	Bachelor of Business Management (HRM Option), CHRP (K)

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**4. CHAIRMAN'S STATEMENT**

I am greatly honored to present my statement for the financial year ending 30<sup>th</sup> June 2020 as the Chairman of Kakamega County Water and Sanitation Company.

Despite the micro-economic uncertainty brought about by the Covid-19 pandemic the business remained resilient. Of concern were creeping inflation, high non-revenue water percentage and increase in un-regulated boreholes and water vendors. I'm however happy to report that despite these challenges we are confident that we are better placed to manage the shifting economic landscape.

During the year there were some changes to the Board. The Board lost the valuable contribution of Prof Fredrick Otieno (Board Chair) who passed on after a short illness in February 2020. I'm honored to having been appointed to the board as Chair and I shall work together with other Board members to build a solid governance framework anchored on transparency, accountability and trust.

Some of the Board's key highlights in the financial year 2019/2020 are tabulated as below;

Regulation of management and operationalization of rural based water schemes	The Company continues to provide technical assistance to the Kakamega County Rural Water and Sanitation Corporation to ensure that the schemes are up and running	This will increase water coverage
Enhanced Partnership with the County Government and other stakeholders	The Board has created an environment that has enhanced partnership with the County Government of Kakamega, WSTF and other stakeholders	This has led to financial support and goodwill from the County government, WSTF for water infrastructure development
Enhanced Corporate Governance	The Board is committed to ensure that there is increased transparency and accountability	
Enhanced Internal Controls	The Board has enhanced internal controls in all departments including the Technical, Commercial and Finance and HR and Administration departments.	This has led to operational efficiency and adherence to various statutory regulations and guidelines
Risk Management	The Board has ensured approval of Risk Management Framework and necessitated risk based audits.	This has led to compliance with the Public Financial Management Act, 2012 and other regulations

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**Conclusion**

The Company looks forward to better performance in the coming years based on the work that the Board has done in identifying the challenges facing the Company and putting in place measures to turn around the business.

The board and staff have remained focused, united and diligent.

I wish to emphasize again how hard our team members in the Board and staff have worked during the year under review and thank them for their commitment and enthusiasm in remaining focused on meeting customers' needs and on issues that drive the Company for the benefit of all our stakeholders.

On behalf of the Board of Directors and management, I would like to thank our customers and all other stakeholders for their continued partnership and support. I would to acknowledge the guidance and leadership that we continue to receive from the county government of Kakamega and other development partners for the platform to move the Company to the next level.

God Bless you, God Bless KACWASCO, God Bless Kenya.

**Yours**



Prof. Laban P. Ayiro

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is my obligation to present to you the business performance highlights for the year ended 30<sup>th</sup> June 2020 and give insights to key areas of our operations that underlies the reported financial performance.

Company Branding	The Management has ensured company branding by ensuring provision of Staff ID Cards, Staff Uniforms, branded Protective gears, Calendars, Diaries, buildings, offices, vehicles and motorbikes amongst others.	Company re branding has increased Company visibility.
Approval of the Procurement Plan	The management ensured approval and implementation of the Procurement Plan during the entire period	This led to compliance with the PPOA regulations and prudent Financial Management.
Approval of the Annual Budget Estimates	The Management ensured approval and implementation of the Annual Budget Estimates during the entire period	This led to compliance with the Public Finance Act 2012 and prudent Financial Management.
Gross income	In the FY2019/2020 the management reported a gross income of Kshs.235,635,551.25 which was a decline from the FY2018/2019 performance by Kshs 9,304,461.75 a 3.8% decline attributed to micro-economic challenges brought about by Covid-19 pandemic	Availability of funds to cater for operations.
Billing collection and efficiency	The current year billing stood at Kshs 220.2M against last financial year's of 239.4M a decline of Kshs 19.3 M. The average revenue collection efficiency was 100%	The decline in billing was as a result of the Covid-19 pandemic
Cost of sales	The cost of sales for the year under review was Kshs 33.98 M whereas the previous year was Kshs 30.69M an increase by Kshs 3.29 M	The increase in cost of sales is due to increase in electricity cost

KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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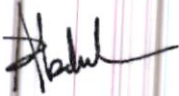
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**Conclusion**

On behalf of management, I wish to thank the Board of Directors of Kakamega County Water and 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. As we work together as a team, KACWASCO will be the envy of the Kenya water sector.

**Yours**



Eng. Abdikadir M. Abdi

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**6. REVIEW OF THE COMPANY'S PERFORMANCE FOR FY 2019/2020**

Through information gathering and analysis, key strategic issues / themes for KACWASCO were identified. The following table presents the themes derived from the analysis of both the internal and external environments of KACWASCO. The themes provide a direction to formulation of KACWASCO's Strategic Objectives for the period 2017 - 2021.

1. Water and sewerage infrastructure development
2. Operational efficiency and customer service
3. Financial sustainability
4. Institutional capacity strengthening

**Strategic Theme 1: Water and Sanitation Infrastructure Development**

Water and sanitation infrastructure is a key priority for KACWASCO to meet her vision. The existing infrastructure is in dire need for rehabilitation. To achieve coverage targets, new infrastructure will be developed especially focusing on underserved areas and ensuring water sufficiency and sewerage network coverage. Under this theme, KACWASCO will focus on improving water coverage from 78% to 90% and sewer coverage from 14% to 30% thereafter increase gradually to the entire population within its coverage area. To achieve this, KACWASCO will focus on reducing NRW, construction of storage reservoirs, redesigning of distribution networks, replacement of old dilapidated networks, and expansion of distribution networks.

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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<b>Theme</b>	<b>Objective</b>	<b>Strategy</b>
<b>Water, Sanitation and Sewerage infrastructure development</b>	Increase water supply coverage from 78% to 90% by the year 2021	Increase water production volume from 4,000,000m <sup>3</sup> to 6,000,000m <sup>3</sup> by 2021
		Develop new water infrastructure; storage capacity, pipeline extension,
		Rehabilitate the existing water infrastructure, Shitoli, Kakamega and Mumias.
	Increase Sanitation coverage from 14% to 30% by the year 2021	Rehabilitate the existing sewerage infrastructure within Kakamega & Mumias towns
		Expand sewerage network coverage to major town, Kakamega, Moi's bridge and Mumias
		Improve exhauster services through purchase of additional exhauster.
		Improve exhauster services through purchase of additional exhauster.
	Achieve World Health Organization (WHO) and Kenya Bureau of Standards (KeBS) water and waste water standards	Effective water and waste water treatment

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**Strategic Theme 2: Operational Efficiency and Customer Service**

Even with a well-developed water and sewerage infrastructure in place, an organizational without efficient operations may not achieve its objectives. KACWASCO therefore aims at focusing on achieving operational efficiency and improved customer service by putting in place policies, procedures and systems that will aid cost effective and quality service delivery. The company will reduce operational costs and meet customer needs by protecting their rights to adequate, safe and reliable water and sewerage services. Operational efficiency and improved service will result in a reduction of NRW; optimal utilization of company resources; embracing of appropriate technology and integrated business processes, and; increased customer satisfaction.

<b>Theme</b>	<b>Objective</b>	<b>Strategy</b>
<b>Operational efficiency and customer service</b>	Reduce NRW from 44% to 30% by the year 2021	Active leak detection, 100% metering level, improve meter accuracy, strengthen NRW section, reduce illegal connections
	Ensure 100% safety and optimal utilization of company resources	Strengthen internal controls, Ensure effective asset protection
	Increase customer satisfaction level from 65% to 95% by 2021	Develop and implement a Customer Service Charter

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**Strategic Theme 3: Financial Sustainability**

Financial sustainability is critical for KACWASCO in ensuring continued service delivery. This will require KACWASCO to mobilize sufficient external and internal resources to fund its recurrent and investment budgets. It will develop and implement strategies to ensure it can meet its operational costs in line with the sector benchmarks and attain commercial viability. KACWASCO will aim at improving her O&M cost coverage; improving collection efficiency; increasing billing efficiency; expanding her revenue base; ensuring all possible debts are collected, and; implementing appropriate financial management systems.

<b>Theme</b>	<b>Objective</b>	<b>Strategy</b>
<b>Financial sustainability</b>	Improve O&M cost coverage from 131% to 150% by 2021	Increase the number of active water connections from 19,775 to 30,000 and Increase the number of active sewer connections from 4,200 to 5,000
	Increase the current revenue base from Kshs.18.8 million to Kshs. 33.3 million per month by 2021	Review water and sewerage tariffs, Diversify sources of revenues, Source for external financial and non- financial resources
	Improve collection efficiency from 95% to 100%	Diversify revenue collection points and payment modes, Sensitize customers on the need for timely and prompt payment
	Reduce accounts receivables of Kshs. 148 million to not more than Kshs. 70 million by 2021	Formulate and implement debt management policy and structure, Provide for bad and doubtful debts
	Increase billing efficiency (actual meter reading from 67% to 100%)	Improve billing efficiency and effectiveness and Improve on meter reading and capture
	Strengthen financial management systems	Implement an integrated financial management system and Review and implement financial management and Audit policies

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**Strategic Theme 4: Institutional Capacity Strengthening**

Institutional capacity strengthening entails developing and implementing critical enablers to strategy implementation. Such enablers for KACWASCO include the need for highly skilled workforce and adequate systems, equipment and administrative resources to realize its strategic plan. The company will formulate and implement policies and procedures to facilitate this process. The company will ensure a conducive working environment by providing necessary office space and equipping them with necessary tools in order to improve service delivery and strengthen operational efficiency. The company will also develop and implement several systems including human resources management systems as well as implement an optimal organizational structure to support strategy implementation.

<b>Theme</b>	<b>Objective</b>	<b>Strategy</b>
Institutional Capacity Strengthening	Achieve organizational alignment and enhance performance	Develop and implement strategic plan, Develop and implement institutional policies and procedures and Implement institutional systems
	Employee satisfaction level from 45% to 90%	Improve employee capacity and competencies, Improve on working condition and environment and Management of staff performance

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**7. 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 shareholders taking cognizance of the interest of other stakeholders.

The Board of Directors of Kakamega County Water and Sanitation Company (hereinafter KACWASCO) is responsible for the governance of the Company and is accountable to the 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 six (6) of whom are non-executive directors including the Chairman. Alternate Directors from the parent ministry County Treasury and County Attorney 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  
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**Board Meetings**

The Board holds meetings on a regular 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:

During the year, the Board held fewer meetings than mandated due to Covid-19 related challenges.

**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 and Risk Committee**

The Board Audit Committee by extension is mandated to ensure the fulfillment of Corporate governance practices as outlined in the Mwongozo code of governance for Companies.

**(ii) Finance 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.

**(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.

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**Budget Absorption for FY 2019/2020**

Description	Budgets 2019/2020	Actual 2019/2020	% Absorption
Kshs	279,908,585	248,292,092	89%

The absorption rate of the estimated budget compared to the actual for the year was 89%

**Gross Profit for FY2019/2020**

Description	2020 (Kshs)	2019 (Kshs)	Growth (Kshs)
Gross Profit	201,654,843	213,603,747	(20,338,644)

The decline in gross profit in the Financial year ended 2020 was attributed to decline in sales.

**Net Loss for FY 2019/2020**

Description	2020 ( Kshs)	2019 ( Kshs)	(Kshs)
Net loss	(12,656,540)	(32,995,186)	20,338,645

The Net loss in the FY 2019/2020 reduces by Kshs 20,338,645 compared to previous Financial year 2018/2019 due to Cost containment measures put in place.

**Sales**

Description	2020 (Kshs)	2019 (Kshs)	Growth(Kshs)
Sales	223,269,397	239,444,801	(16,175,404)

The Sales/Revenue realized in the Financial year 2019/2020 dropped by Kshs 16,175,403.75 compared to the previous year, majorly attributed to the COVID-19 pandemic since most institutions were closed.

**Cost of Sales**

Description	2020(Kshs)	2019 (Kshs)	Amount(Kshs)
Cost of Sales	33,980,708	30,668,374	3,312,334

The cost of production Increased due to increased rates of power and chemical.

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
ANNUAL REPORTS AND FINANCIAL STATEMENT  
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**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Kakamega County Water and Sanitation Company recognize its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbors and the environment as a whole.

To this end: -

The Company has a separate environmental policy statement clarifying its commitment to delivering a net positive impact on the environment.

The Company has established a Corporate Social Responsibility budget line within its annual budget through which it supports its social responsibility objectives.

The company undertakes annual health and safety workplace audits

Ethically the Company is committed to doing the right things, conducting ourselves in a legal, ethical and trust worthy manner.

The company is committed to upholding our regulatory obligations and complying with both the letter and spirit of our business policies.

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
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**10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended as at June 30<sup>th</sup>, 2020 which shows the state of Kakamega County Water and Sanitation Company (KACWASCO) affairs.

**Principal activities of KACWASCO**

The principal activity of the company is to provide equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

<b>Results</b>	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Net profit/ (Loss) for the year</b>	<b>(12,656,540)</b>	<b>(32,995,185)</b>

**Dividend**

The company realized a net loss of Kshs 12,656,540 (Twelve million, Six Hundred and Fifty-six Thousand, Five Hundred and Forty) and therefore does not declare any dividends.

**Directors**

The directors who held office during the year and to the date of this report are shown on pages vi-viii

**Auditors**

The Auditor General is responsible for the statutory audit of KACWASCO in accordance with article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2020.

**By Order of the Board**

Christabell Ashiono



**Board Secretary**

**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
ANNUAL REPORTS AND FINANCIAL STATEMENT  
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**11. STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES**

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on 30<sup>th</sup> June 2020. 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 company; (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 accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standard (IFRS). 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 30<sup>th</sup> June 2020, 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's financial statements as well as the adequacy of the systems of internal financial control.

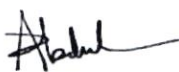
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The company's financial statements were approved by the Board on 19<sup>th</sup> April 2021 and signed on its behalf by:



**Chairman  
Finance Manager**



**Chief Executive Officer**



**Commercial**

**and**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

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### **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 30, which comprise of the statement of financial position as at 30 June, 2020, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 the Kakamega County Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracies in Statement of Cash Flows**

The statement of cash flows reflects changes in creditors balance of Kshs.70,505,692 whereas the calculated balance amounted to Kshs.71,485,755 resulting to an unreconciled variance amounting to Kshs.980,063.

Consequently, the accuracy and completeness of creditors balance of Kshs.70,505,692 reflected in the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

##### **2. Inaccuracies in Cost of Sales**

As disclosed in Note 8 to the financial statements, the statement of profit and loss and other comprehensive income reflects cost of sales totalling to Kshs.33,980,709. The balance includes electricity bills totalling to Kshs.10,872,952. However, the supporting schedules amounted to Kshs.7,872,952 resulting to a variance amounting to Kshs.3,000,000. Although the variance was explained to be bills relating to the months

of April, May and June, 2020 which had been erroneously omitted from the records, no evidence was provided.

Consequently, the accuracy of the cost of sales totalling to Kshs.33,980,708 reflected in the statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 could not be confirmed.

### **3. Unsupported Finance Cost**

As disclosed in Note 15 to the financial statements, the statement of profit and loss and other comprehensive income reflects finance cost of Kshs.25,708,592. The balance relates to interest payable on KFW loan secured by Lake Victoria North Water Works Development Agency through The National Treasury to develop gravity water supply systems. However, as reported previously, the loan agreement and interest workings/schedules were not provided.

Consequently, the accuracy and validity of finance cost of Kshs.25,708,592 reflected the statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 could not be confirmed.

### **4. Inaccuracies in Cash and Bank Balances**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects cash and bank balances of Kshs.121,327,513. However, the balance excludes mobile money pay bill accounts totalling to Kshs.426,987 and whose accounts charges amounting to Kshs. 294,875 were not recorded in the cashbook.

Further, two bank accounts had balances of Kshs.100,037 whereas the cashbook reflected a balance of Kshs.2,071,749 resulting to an unreconciled variance amounting to Kshs.1,971,712.

In addition, the cashbook reflected total payments totalling to Kshs.19,866,210 for the month of September, 2019 whereas the computed payments totalled to Kshs.13,014,662, resulting to an unreconciled variance amounting to Kshs.6,851,548. During the same month, payments totalling to Kshs.1,989,346 were made without supporting documents.

In the circumstances, the accuracy and completeness of cash and bank balances totalling to Kshs.121,327,513 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

### **5. Inaccuracies in Other Payables**

The statement of financial position reflects other payables balance of Kshs.397,168,213 whereas the supporting schedule provided reflected an amount of Kshs.393,605,926, resulting to an unreconciled variance of Kshs.3,562,286. Further, the period to which the balance has been outstanding and a Note to the financial statements were not disclosed.

Further, the balance has been classified under long term liabilities but were previously classified under current liabilities. They include current payables such as audit fees, amounts due to WASREB and Lake Victoria North Water Works Development Agency.

In addition, customer deposit amount of Kshs.47,426,020 and finance cost of Kshs.298,174,481 were not supported and the audit fee balance of Kshs.4,240,894 was overstated by an amount of Kshs.536,894 which was paid during the year.