

REPUBLIC OF KENYA



**REPORT**

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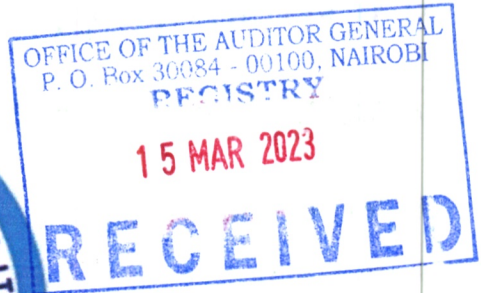
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**THE AUDITOR-GENERAL**

**ON**

**HOMA BAY COUNTY WATER AND  
SANITATION COMPANY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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**HOMA BAY COUNTY WATER & SANITATION CO. LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2022**

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

# HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

## ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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# HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

## ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### I KEY ENTITY INFORMATION

#### Background information

Homa Bay County Water and Sanitation Company Limited (the then South Nyanza Water and Sanitation Company), was established under the Company's Act Cap 486 on 12<sup>th</sup> June 2006. The Company was formed by the defunct local authorities and given the mandate of providing water and sanitation services within eight Sub-Counties:- Mbita, Suba, Kasipul, Karachuoyo, Rangwe, Kabondo, Ndhiwa and Homa Bay Township. Homa Bay County Government is the major shareholder of the Company.

In August 2014, South Nyanza Water and Sanitation Company changed its name with the Registrar of Companies Kenya to Homa Bay County Water and Sanitation Company Limited, in the spirit of devolution, which brought fourth County Governments.

#### Principal Activities

The principal activity of the Company is that of offering water and sanitation services within Homa Bay County.

#### Directors

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

- |                           |                       |                           |
|---------------------------|-----------------------|---------------------------|
| 1. Prof. George O. Krhoda | Chairman              | -Appointed on 29.03.2018  |
| 2. Dir. Zablon Were       | Member                | - Appointed on 29.03.2018 |
| 3. Dir. Isdora Akinyi     | Member                | - Appointed on 29.03.2018 |
| 4. Dir. Millicent Matengo | Member                | - Appointed on 29.03.2018 |
| 5. Dir. Lenjulians Onano  | Member-Rep. CEC Water | - Appointed on 29.03.2018 |
| 6. Mr Evans L. Nyagol     | MD                    | - Appointed on 20.10.2015 |
| 7. Hon David Korikko      | Member-CEC Finance    | - Appointed on 30.10.2018 |
| 8. Dir. Kenneth Onyango   | Member                | - Appointed on 30.03.2019 |
| 9. Dir. Elector A. Opar   | Member                | -Appointed on 01/06/2021  |

NOTE: Member CEC-Member of County Executive Committee

The MD sits in the board as an **executive member**, the rest of the directors are **Non-executive**.

#### Registered Offices

Homa Bay County Water and Sanitation Company Ltd

Kendu - Homa Bay Road/Highway

P.O. Box 4, 40300

Homa Bay, KENYA

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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**Corporate Headquarters**

Homa Bay County Water and Sanitation Company Ltd

County Assembly Road,

Next to New TSC -Nyanza Regional Offices

P.O. Box 4, 40300...

Homa Bay, KENYA

**Corporate Contacts**

Telephone: +254717428030

E-mail: [homawater@yahoo.com](mailto:homawater@yahoo.com)/ [homawater@gmail.com](mailto:homawater@gmail.com)

**Corporate Bankers**

1. Kenya Commercial Kenya  
Homa Bay Branch  
P.O. Box,40300, Homabay  
Kenya
2. Co-operative Bank of Kenya  
Homa Bay Branch  
P.O. Box,40300, Homabay  
Kenya
3. Equity Bank Ltd  
P.O.Box Homa Bay Branch  
Kenya

**Auditors**

Auditor General

Kenya Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO - 00100

**Nairobi, Kenya**

**Company Secretary**

1. Olotch & Company Advocates

Advocates, Commissioners for oaths & Certified Public Secretaries

Queensway House

5<sup>th</sup> floor, Kaunda Street

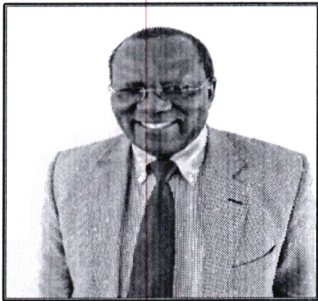
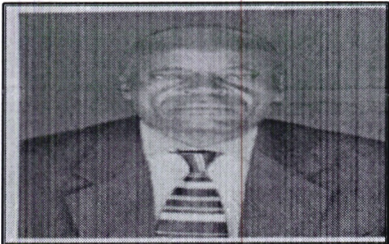

P.O. Box 7146-00100

Nairobi, Kenya

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**





**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**II. THE BOARD OF DIRECTORS- DURING THE YEAR 2021/22**

<p>1. Dir.Prof. George O. Krhoda</p> 	<p>Age : 68 Qualifications:  CBS,BED(HONS),MAand PhD</p>	<p><u>CAREER PROFILE</u> He is an Associate professor University Of Nairobi, Vice Chair Daystar university, a specialist in Hydrology and water resource management, Managing Director of Research on environment and development planning (REDPLAN) consultants ltd, former permanent secretary ministry of water and irrigation, among others. Prof. Krohda is the current chairperson of the board.</p>
<p>2. Dir. Zablon Were</p> 	<p>Age : 62  Diploma Electrical Engineering (Related trainings locally and abroad)</p>	<p><u>CAREER PROFILE</u> Has vast experience in electrical engineering, having worked with Africa Synthetic Fibres and Sunflag Textiles</p>
<p>3. DIR. ELECTOR A. OPAR</p> 	<p>Age:54 Qualification: MA(Community Development),BA(Psychology &amp;Sociology) •</p>	<p><u>CARRER PROFILE:</u> Currently County Director Youth Development Homa Bay County, Worked with Ministry of Youth affairs and sports as Principal Youth Development Officer, Deputy Provincial Director of Culture and headed the Visual arts and indigenous health and nutrition Department.</p>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

<p>4. Dir. Isdorah Akinyi</p> 	<p>Age: 36yrs Qualifications:</p> <ul style="list-style-type: none"> <li>• Degree in Gender and Development Studies</li> <li>• Diploma in Project Management</li> <li>• Diploma in Management of Information Systems</li> </ul>	<p><u>CAREER PROFILE</u> Has vast experience in project management of development projects, having previously worked with Catholic Relief Services and APHIA plus as a project Coordinator. Currently a business lady running her own Pharmacy (Domakis Pharmaceuticals Limited) and an Events Planner.</p>
<p>5. Dir. Lenjulians Onano</p> 	<p>Age: 38yrs Qualifications Higher diploma in Project Planning &amp; Management Diploma in Monitoring &amp; Evaluation Diploma in Criminology</p>	<p><u>CAREER PROFILE</u> Has served in different ranks in Government security institutions. He is currently working in County department of Water &amp; Environment and is a shareholder director in the Board, representing the Parent Ministry. He is also a partner in a Private Crimes investigation company.</p>
<p>6. Evans L.O Nyagol-MD</p> 	<p>Age: 52 Qualifications: MBA, CPA(K)</p>	<p><u>CAREER PROFILE</u> Has vast managerial experience having worked in the sugar industry and higher education sector for a long time. He sits in the board as an executive director.</p>
<p>7. Dirr. Kenneth Onyango</p> 	<p>Age: 50 Qualification: Bcom, ;MBA strategic Management</p>	<p><u>CAREER PROFILE</u> Worked in top management of KRA for over 20 years.</p>

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

10. CS Pamela Ochieng Olotch		Olotch & Company Advocates	




**BOARD COMMITTEES:**

<b>COMMITTEE</b>	<b>NAME</b>	<b>POSITION</b>
<b>1. FINANCE &amp; HUMAN RESOURCE COMMITTEE</b>	I. Elector A. Opar	Member
	II. Kenneth Onyango	Chairperson
	III. CEC Finance Representative	Member
<b>2. TECHNICAL COMMITTEE</b>	I. Isdora Akinyi	Chairperson
	I. Zablon Were	Member
	II. Lenjulian Onano	Member
<b>3. INTERNAL AUDIT COMMITTEE</b>	I. Isdora Akinyi	Chairperson
	II. Zablon Were	Member
	III. Lenjulian Onano	Member

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD





ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

III. MANAGEMENT TEAM

<p>1. CPA. Evans L. O. Nyagol</p> 	<p><b><u>Qualification:</u></b> MBA, CPA(K)</p> <p><b><u>Responsibility:</u></b> Managing Director (CEO)</p>
<p>2. Pamela Ochieng Olotch</p>	<p><b><u>Qualification:</u></b> CPS(K)</p> <p><b><u>Responsibility:</u></b> Company Secretary</p>
 <p>3. CPA Lydia Ouma.</p>	<p><b><u>Qualification:</u></b> B.Com, Accounting CPA (K)</p> <p><b><u>Responsibility:</u></b> Internal Audit Manager</p>
 <p>4. CPA Samuel Ngicho</p>	<p><b><u>Qualification:</u></b> CPA(K) B.Com, Finance</p> <p><b><u>Responsibility:</u></b> Finance Manager</p>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

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 <p>5. Liz Amolo</p>	<p><b><u>Qualification:</u></b></p> <p>Bsc. Human Resources MBA Human Resources</p> <p><b>Human Resource Manager</b></p>
 <p>6. Eng. Collins Obango</p>	<p><b><u>Qualification:</u></b></p> <p>Bsc. Mechanical Engineering</p> <p><b><u>Responsibility:</u></b></p> <p>Technical Manager</p>
 <p>7. Dan Oketch</p>	<p><b>Qualification:</b> Purchasing &amp; Supply, Master of supply Chain Management, ongoing PhD Project Management</p> <p><b><u>Responsibility:</u></b></p> <p>Supply Chain Manager</p>
 <p>8. Winnie Rakwach</p>	<p><b>Qualification:</b> Bsc-Biology</p> <p><b><u>Responsibility:</u></b></p> <p>Commercial Manager</p>

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### IV. CHAIRMAN'S STATEMENT

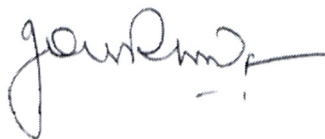
It is my pleasure on behalf of the Board, to present to you this annual report for the financial year ended 30 June 2022. We started serious strategic focus back in the year 2017 with a view to Improve our water supply capacity through acquisition of new water plants in Homa Bay, Oyugis, Kendu Bay and rural water set-ups within Homa Bay County; to improve revenue for financial sustainability; improve staff capacity; and focus on customer care and good Corporate Governance.

These have started to bear fruit as we started new production on the Homa bay water cluster program which gives additional 5,000 cubic meter of water per day to residents of Homa Bay town from early this year (2022). We anticipate to start production on the newly build water plants in Oyugis and Kendu Bay in the next one or so years bringing additional 18,000 cubic meters of water per day to the residents of the two service areas mentioned.

Water alone is not our priority. In the next three years, discussion is in top gear with KFW, and USAID through partnership to develop new sustainable waste water facilities in Homa Bay and other parts of the County. Oyugis facility development process is at advanced stages and soon this will come to reality. Good partnership has seen the company achieve a lot of milestones in the past five years and still we are committed to looking for more partners to help us achieve these noble goals. In the coming years, Lake Victoria water works Development Agency, DUNEA water works (Netherlands) and UNICEF are just but a few cases we are sure of dealing with in the coming years.

I must thank my fellow Board members and committee chairpersons, for their selfless service and dedication to fulfil their oversight mandate. We are optimistic that soon our economy will open up, back to normal so that we can push the Board's mandate even further in the coming financial year. It is also my hope that all stakeholders will continue supporting the company in all the ways possible as they have always done in the past. Together we shall win.

Thank You All



Prof. George O. Khroda  
**Chairman – Board of Directors**

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### V. REPORT OF THE MANAGING DIRECTOR

##### **Introduction**

This report highlights and outlines the activities and actual performance of Homa Bay County Water and Sanitation Company for the year ended 30<sup>th</sup> June 2022. It is pleasing to note that despite the challenges the operating environment continues to pose, the Company has managed to supply quality water to its valued customers with minimum disruptions in the year. Financing major capital works in order to satisfy the growing water demand and reducing the levels of unaccounted for water in the supply area remained biggest challenges in the year under review. In the FY 2021/22, the company continued with its effort towards improvement of revenues and operations stabilization. The company recorded turnover of Kshs 150,021,839 against operating expense of Kshs 155,331,655, leaving a total operating deficit before tax of Kshs. 5,309,816.

The company is yet to achieve sustainable operations since it still relies on County Government of Homa Bay subsidies who settles company power bills. The water coverage is still below 50%, plant production capacity is still at 31% of demand in all water schemes and therefore client satisfaction is low due to the limited supply. The company fell short of the budgeted production by 48% due to failure to kick start operationalization of three new production plants in Kendu bay and Oyugis schemes which were expected to boost the production capacity by 20%.

However, the company has been working with various stakeholders to transform itself to a commercially viable enterprise with key focus on service delivery. Kenya Government through Lake Victoria South Water Works Development Agency (LVSWWDA) approved funding for the development of three (3) new water plants in West Karachuonyo, Oyugis and Kendu Bay with Oyugis at 95% and Kendu bay at 93% of completion. This therefore means that in our next financial year reporting the two will be ready for production. WASREB has been instrumental in ensuring proper governance of the company through Board training/Board oversight and, the County Government of Homa Bay has been supporting the company in ensuring smooth water supply operations.

We still collaborate with Dunea-Netherlands for capacity development –staff & operations for NRW reduction thus we hope to achieve operational efficiency in the near future. The Phase two of our engagement is already running, which will see new investments projects being implemented. This together with other proposed projects will give new life in production capacity of the company in the next two years.

Thank you.



Evans L.O.Nyagol

**Managing Director**

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### **VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

HOMAWASCO has FIVE strategic themes and objectives within the current Strategic Plan for the FY 2021- 2122. These strategic themes are as follows:

Theme 1: Water and sewerage infrastructure development

Theme 2: Operation Efficiency

Theme 3: Financial Sustainability

Theme 4: Human Resource Development

Theme 5: Customer Service

*HOMAWASCO* develops its annual work plans based on the above five themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2021/2022 period for its five strategic themes, as indicated below:

Strategic Theme 1: Water and sewerage Infrastructure Development

- a) Objectives: Increase water supply coverage in urban schemes from 31% to 50% by 2022.
- b) Expand water supply coverage in rural & low income areas from 10% to 30% by 2022.
- c) Increase Sewerage coverage from 4% to 10% by 2022

Activities

- i) Finalize the construction of Homa Bay, Oyugis, Kendu Bay water supply scheme projects.
- ii) Rehabilitate water intakes, storage tanks, filtration & treatment plants in urban centres
- iii) Upgrade and extend distribution network in urban water supply
- iv) Increase communal water access points in the low income areas
- v) Rehabilitate 12km of existing sewerage system
- vi) Design obtain approvals and seek funding for construction of a new sewerage plant
- vii) Extend 15 Km of Sewerage network

Key performance Indicators:

- 1) Completed and commissioned water supply schemes

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- 2) No of facilities rehabilitated
- 3) Rehabilitated boreholes & schemes
- 4) No of Borehole developed
- 5) Km of Sewerage pipeline Extended
- 6) Completed sewer designs, Approvals and funding proposal

#### Strategic Theme 2: Operation Sustainability (Efficiency)

##### Objectives:

- a) Reduce Energy cost by 25% by 2022
- b) Reduce Non-Revenue Water (NRW) from 53% to 35% by 2022
- c) To secure company assets and optimize resources utilization
- d) Automate and integrate 50% of all business processes by 2022
- e) Strengthen Monitoring, Evaluation & Reporting framework

##### Activities:

- a) Establish Energy cost reduction & management strategy
- b) Increase use of alternative energy sources in standalone water projects

##### Key performance Indicators:

1. Conduct an energy audit in all operations, plants and process to identify energy saving opportunities
2. Install & operationalize solar water pumping system in boreholes

#### Strategic Theme 3: Financial Sustainability

##### Objectives:

- a) Improve O&M Cost coverage from 64% to 90% by the year 2022
- b) Improve O&M Cost coverage from 64% to 90% by the year 2022
- c) Improve revenue collection efficiency from 90% to over 100% by 2022
- d) Improve Billing efficiency from 90% to 95% by 2022
- e) Reduce overdue accounts receivables by 50% annually

##### Activities:

1. Develop and seek approvals of a new tariff structure from WASREB
2. Roll out and fully implement reviewed tariff structure
3. Connect and meter 2,500 new connections annually
4. Develop and implement a cost control strategy.

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. Increase water sales revenues from Kshs 36.5 M to over 90M per Annum by 2022

#### Key performance Indicators:

1. New tariff structure put in place
2. Number of new connection targets achieved
3. Sales revenue targets achieved

#### Strategic Theme 4: Human Resource Development

##### Objectives:

- a) Improve staff productivity level from 14 to 10 employees per 1000 connections by June 2022
- b) Promote gender equality as an integral part of HOMAWASCO's value system

##### Activities:

1. Develop Gender mainstreaming policy
2. Conduct companywide sensitization on gender mainstreaming policy
3. Undertake training needs analysis
4. Capacity build staff & managers through training and management development

##### Key performance Indicators:

1. Gender mainstreaming policy developed
2. Sensitization Done throughout the company
3. Training needs analysis Done and implemented
4. Management and staff trained
5. Presence of performance management system in the company

#### Strategic theme 5: Customer Services

Objective: To increase customer satisfaction level from 74% to 90% by 2022

##### Activities:

- a) Conduct a customer satisfaction survey
- b) Review the current customer service charter
- c) Enhance customer communication and engagements

##### Key performance Indicators:

The review of the charter to be done after upon disbursement of the funds

1. Customer survey report available
2. Customer Complaints report and response

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### **VII. CORPORATE GOVERNANCE STATEMENT**

##### **a) Board Meetings and Attendance**

During the year 2021/2022, the Board had a total of twenty five sittings. These comprised of seventeen committee sittings, seventeen full board meetings and one AGM sitting. During these sessions all board members were in attendance.

##### **b) Succession Plan**

There is a plan where if the sitting chairperson leaves, members can choose another among themselves to replace the person. There are also rotations of terms of the board members where one must retire every cycle.

##### **c) Board Charter**

Currently there is no board charter, but the process is ongoing to prepare one. This will be ready in the next financial year.

##### **d) Recruitment and Removal Process**

Upon the retirement of a director, the position shall be advertised as per the WASREB guidelines on either of the following or both local notice boards HOMA WASCOSCO offices, Water departments, County Government offices, Daily newspaper or standard newspaper for at least 14 days. HOMA WASCOSCO (Water Company) will receive applications letters from the candidates and send to the CECM in charge of Water as the shareholder who will appoint a select committee of three persons representing different groups to interview applicants for the vacant position. HOMA WASCOSCO MD-Performs the secretariat duties during the interview. The report containing the results and Select Committee recommendation is therefore submitted to the CECM in Charge of Water for approval, after which the person selected will be presented to the AGM for ratification. This must be captured in the AGM minutes.

##### **e) Roles and Functions**

Functions of HOMA WASCOSCO Board of Directors are:

- Develop the Company's approach to, and disclosure of, corporate governance practices and oversee the development by the governance, ethics and its compensation.
- Ensure that strategic planning process is in place and approved, at least on an annual basis, a strategic plan which may take into account, among other things, the longer term opportunities and risks of the business;

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- Approve the Company's annual operating and capital budgets;
- Review operating and financial performance results in relation to the Company's strategic plan and budgets.
- Approve all significant decisions outside of the ordinary course of the Company business, including major financings, acquisitions, and dispositions or material departures from the strategic plan or budgets;
- Review the disclosure in the Company public disclosure documents relating to corporate governance practices and conduct a periodic review of the relationship between management and the Board, particularly in a view to ensure effective communication and the provision of information to directors in a timely manner;
- Approve all the Company's policies and other management systems

#### **f) Induction and Training**

Corporate induction is always done at the initial stage for all newly appointed Directors. There is always a budget for Directors trainings, but due to financial constraints, it was not done during the financial year under review.

#### **g) Conflict of Interest**

It's always the practice to declare conflict of interest before proceedings where a director has an interest. No cases of conflict of interest were shown during the year 2021/2022.

#### **h) Board remuneration**

It is always pegged on WASREB regulation which states that it should not surpass 2% of operation cost. This has always been observed by management.

#### **i) Ethics and Governance audit**

No Governance audit was carried out during the said period.

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### VIII. MANAGEMENT DISCUSSION AND ANALYSIS PERFORMANCE OVERVIEW

##### 1.0 INTRODUCTION

The management of HOMA WASCOW hereby presents to the shareholders and stakeholders report and statements on the financial performance of the company for the financial year ended 30<sup>th</sup> June 2022. The year came with many challenges being an election year, which saw the economy suffer thereby affecting businesses and HOMA WASCOW was not exempted. The country was also fully opened up in the course of this financial year after COVID pandemic disease. Government effort to vaccinate close to ten million adults made it easy to open the economy for full operation in December 2021. This has seen people come back fully to their normal life, with the water sector not left behind. Financially the spillover effect of pandemic liquidity challenge is yet to disappear fully though things are starting to appear good for normal operation. As a result of this, the company may not achieve most of its desired goals by the end of the year. The cash flow still remains a challenge hindering a lot of progress which is at a slower but steady pace. By commissioning one production plant mid this year, there is hope that volumes will change a little bit higher before the end of the financial period.

##### 1.1 REVENUES

The company achieved a turnover of **Ksh.150.0million** against a budget of **Kshs 358.4million** representing **42%** performance, with a total expenditure of **Ksh. 155.3million** leaving a deficit before tax of **Kshs.5.3million**. The total revenue is made up of company water & sewerage sales at **Kshs 50.9million**, grants from County Government at **Kshs 5.1million** in electricity bills, grants from National Government at **Ksh. 27.6million** and grants from other development partners of **Kshs 65.5million**. The company achieved an average monthly billing of **Kshs 4.2 Million** and an average monthly collection of **Ksh 3.8million**. The company had an average collection efficiency of **90%** against the Water Sector benchmark of **>95%** and an average of **45%** Non-Revenue Water level against a sector benchmark of **<25%**.

The total connections in the year under review stood at **9,079** with **5,549** active connections and **3,530** dormant connections. Metering ratio was at **100%** against a sector benchmark of **100%** metering. The **100%** metering refers to active connections only.

The major impediments on the achievement of the budget was non achievement of production target due to in adequate production capacity within the plants. The revenue from Donor grants also fell short of the target during the year by **62%** leading to reduced expenditure in project activities.

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### 1.2 EXPENDITURES

The company incurred total operational expenditures of **Kshs. 155.3million** against a budget of Kshs. **354.2million**. These amounts included Grants from County and National government for both operational and capital activities. The cost recovery rate of the company stood at 96% against a sector benchmark of >100%. This is due to the suppressed sales as explained above.

#### 1.3 COMPLIANCE WITH REGULATORY REQUIREMENTS

The company has always strived to pay all statutory obligations as and when they fall due. These levies and fees are payable to WASREB, WASPA and WRA levies. There has been a cash flow challenge crippling this commitment over the past and presently. During the year, fruitful discussion between the County ministry of water and National Government yielded to write-off of debts worth 28million by WRA. Amounts owed to these bodies as at 30 June 2021 were as follows:

	<u>2020/21</u>	<u>2021/22</u>
WASREB-	3,341,502	5,173,713
WRA -	1,255,384	1,813,521
LVSWWDA	24,511,441	24,411,441
<b>TOTAL</b>	<b><u>29,108,327</u></b>	<b><u>31,398,675</u></b>

#### 1.4 RISKS

The company faces several risks that might impede the achievement of its objectives. The major risks identified are:-

- ▶ Harsh economic conditions in the country due to COVID-19 pandemic
- ▶ Credit risk resulting from debtors not paying all their bills as and when they fall due
- ▶ Delay in electricity bills settlement by the County Government
- ▶ Insecurity caused by Political activities
- ▶ Water pollution at water sources E.g Rivers and lake
- ▶ Water theft and illegal connections
- ▶ Inadequate funding for pipeline expansion
- ▶ Inability to source for funds from the market to finance capital investment
- ▶ Water loss due to persistent bursts and leakages from old and dilapidated pipelines

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD.

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### **1.5 DEVELOPMENTS**

As was stated here last financial year the major projects at Oyugis and Kendu Bay are about to start operation any time during next financial year with the completion rate being at 97% and 93% respectively. We anticipate to start production on the newly build water plants in Oyugis and Kendu Bay in the next one year bringing additional 18,000 cubic meters of water per day to the residents of the two service areas mentioned. New boreholes such as Rodi, Majiwa, Oluodo, Adongo, Wiamen are already operational with encouraging growth in new customer registration.

**IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

**i) Sustainability strategy and profile -**

The Global Sustainable Development Goal (SDG 6) was meant to ensure access to clean, reliable and affordable water and sanitation for all by the year 2030. This reflection was tasked on Nations to invest on water and sanitation infrastructure improvement to a sustainable level by 2030. While substantial progress has been made in increasing access to clean drinking water and sanitation, billions of people—mostly in rural areas—still lack these basic services. Worldwide, one in three people do not have access to safe drinking water, two out of five people do not have a basic hand-washing facility with soap and water, and more than 673 million people still practice open defecation. Locally this has been attributed to by factors such as:

1. Lack of coherent policies and Strategies at the county levels
2. Weak coordination between Counties and WSPs
3. Poor service standards at the County level
4. Lack of proper Planning and monitoring tools
5. Weak Financial policies and practices
6. Inadequate Financing to the sector
7. Poor human management practices in hiring, training, weak gender parity
8. Lack of effective information and control systems, integrity and transparency
9. Inadequate and in effective stakeholder engagements with the WSPs

At the company level in collaboration with the County Government, HOMA WASCO has put in place several measures to grapple with these inadequacies though not fully. Some of the measures already taken are:

- a) Developed management policies relating to Finance, HR, Technical, Gender and strategic plan within which the company's activities are run on a day to day basis, monitored quarterly and annually.
- b) The county Government of Homa Bay through the parent ministry has established a Governance interaction platform where all the stakeholders (WASREB, WSTF, LVSWWDA, NGOs, WASPA) share, discuss and agree on pertinent action points towards improving the water and sanitation stewardship and service delivery.
  - The forum carries out bottleneck analysis on performance to identify challenges underlying county specific challenges and develop action plan.
  - Build capacity of County Management and CMT members including planning, monitoring and review as contained in the PFM act 2021 and water service regulation 2021.
  - The secretariat will help perform bottleneck analysis to identify challenges affecting utility financing and develop action plan that will improve sustainability in terms of quality of service (improve water and sanitation coverage and service area), economic efficiency (increase Operation Cost Recovery and collection

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

efficiency), and operation sustainability (reduce Non Revenue and increase metering ratio).

- The company through UNICEF developed a gender policy document that is already being implemented. The secretariat will help the utility strengthen gender parity strategies within the company and staff capacity.
- In the near future the utility will be guided by the secretariat to ensure budgets and expenditures are uploaded in the website and presented to a wider sector stakeholder to boost transparency Through such collaboration, HOMA WASCO is moving towards achieving one of its key goal of providing water to customers sustainably in the next three years.

#### *ii)* **Environmental performance**

In the water treatment process, Aluminium Sulphate is used, which produces Aluminium Hydroxide flocculants/sludge as a by-product. In the AfDB-funded CRVWWDA/LVSWWDA - executed projects of **Oyugis and Kendu Bay** will have sludge drying beds and treatment for safe release to the environment. This also applies to the Belgian Homa Bay Cluster Project/CMI. Our sewerage system also discharges waste water to the lake (Victoria). All mechanisms have been taken to ensure safety of the discharge to the lake. Regular laboratory checks are done on a daily basis to observe accepted limits of waste content applying WHO standards, and NEMA approved parameters. The same tests are done quarterly at the Government laboratory for safety standard and satisfied.

#### *iii)* **Employee welfare**

The company carries out competitive recruitment process every time employees' hiring is done. This is managed within a well-documented HR policy which guides the entire process. In most of the departments like finance, HR, Audit the gender balance has been practiced fully. In other departments not mentioned, there is a strategy to fill this gap in the long run though currently it stands at 60 % balance. The entire organisation is at 50% gender balance in staffing. For the last five years, the company has engaged staff both senior, middle and lower cadres to short and long term trainings. Five of senior staff have been trained outside the country on Leadership skills, while majority of low and medium cadre staff have been seconded to KEWI, KASNEB, and Local Universities among others to develop their carriers while in employment. This has significantly boosted the morale and productivity of staff in the entire organisation with several achievements.

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022, which show the state of HOMA WASCOS' affairs.

**Principal Activities**

The principal activity of the Company is that of provision of water and sanitation services within Homa Bay County

**Results**

The results of the entity for the year ended 30 June 2022 are set out on pages 1-6

**Directors**

The members of the Board of Directors who served during the year are shown on pages VI-IX In accordance with Regulation of the Company's Articles of Association.

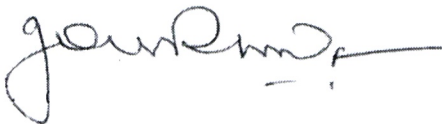
**Auditors**

The Office of the Auditor General is responsible for the statutory audit of the Company in accordance with the Public Audit Act 2015, and sections 14 and 15 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

**Dividends**

The directors do not propose any dividend for the year.

By Order of the Board



Board Chairman  
Prof. George Krhoda  
Homa Bay County Water & Sanitation Co. Ltd

Date: .....

## HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

### ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

#### XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012; - require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year. The Directors are also required to ensure that the *company* keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

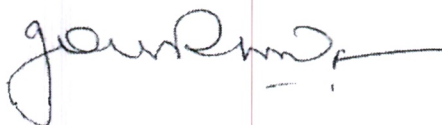
The Directors are responsible for the preparation and presentation of the *company's* financial statements, which give a true and fair view of the state of affairs of the *company* for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- (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.

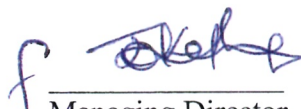
The Directors accept responsibility for the *Company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. 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, 2022, 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.

#### Approval of the financial statements

The *company's* financial statements were approved by the Board on \_\_\_\_\_ 2022 and signed on its behalf by:

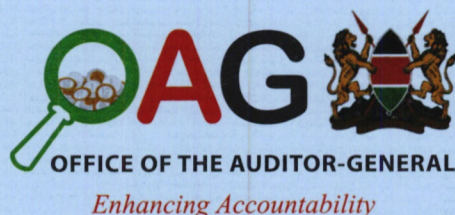


Board Chairman  
Prof. George Krhoda



Managing Director  
Evans Nyagol

# REPUBLIC OF KENYA



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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY WATER AND SANITATION COMPANY FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Homa Bay County Water and Sanitation Company set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other

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*Report of the Auditor-General on the Homa Bay County Water and Sanitation Company for the year ended 30 June, 2022*

comprehensive income, statement of cash flows, statement of changes in equity 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 the Homa Bay County Water and Sanitation Company as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Unsupported Inventories**

The statement of financial of financial position reflects Kshs.2,857,638 in respect to inventories and as disclosed in Note 15 to the financial statements. However, the Management did not provide actual physical stock count reports for audit review.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.2,857,638 could not be confirmed.

### **2.0 Failure to Transfer Shareholding**

As previously reported, the statement of financial position reflects ordinary share capital and initial capital of Kshs.2,831,702 as disclosed in Note 19 to the financial statements. The balance comprises 5,000 ordinary shares of Kshs.20 par value amounting to Kshs.100,000 and the initial capital of Kshs.2,731,702. Background information on page ii indicates that the Company is fully owned by the County Government of Homa Bay. However, search conducted at the Registrar of Business Service, the Office of the Attorney General, and the Department of Justice revealed that the shares are still held by the defunct local authorities.

In the circumstances, the ownership of the Company during the year ended 30 June, 2022 could not be confirmed.

### **3.0 Unsupported Trade Payables**

The statement of financial position reflects Kshs.17,179,575 in respect to trade and other payables and as disclosed in Note 24 to the financial statements. However, the balances were not supported with approved requisitions, quotations, LPOs/LSOs, goods received notes and store ledgers. In addition, trade payable invoices totalling to Kshs.3,273,101 were not approved/authorised by the supplier/creditor for proper authentication.

In the circumstances, the validity, accuracy and completeness of trade payables balance of Kshs.17,179,575 as at 30 June, 2022 could not be confirmed.

#### **4.0 Inaccuracies in Customers Deposits**

The statement of financial position reflects customer deposits of Kshs.7,445,480 and as disclosed in Note 25 to the financial statements. However, review of customer deposits' bank account statements revealed a credit balance of Kshs.4,999 resulting in an unexplained and unreconciled variance of Kshs.7,440,481. In addition, the deposits received of Kshs.1,139,125 during the year under review were not supported with a list of new customers and their corresponding deposits.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.7,445,480 could not be confirmed.

#### **5.0 Unsupported Additions to Water Kiosks/Buildings**

The statement of financial position reflects Kshs.195,576,736 in respect to net book value of property, plant and equipment which, as disclosed in Note 26 to the financial statements includes additions to water kiosks/buildings transferred from capital work in progress during the year under review amounting to Kshs.78,188,912. However, the balance was not supported with completion certificates and Inspection and Acceptance Committee reports.

In the circumstances, the accuracy and completeness of the additions to water kiosks/buildings balance of Kshs.78,188,912 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Homa Bay County Water and Sanitation Company Management in accordance with ISSAI 130 on 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**

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

Note 3 to the financial statements states that the Company made a loss of Kshs.5,309,816 which resulted in depletion of retained earnings which stood at negative Kshs.30,482,934. In addition, the Company's total current liabilities of Kshs.91,029,871 exceeded the total current assets of Kshs.66,572,602 resulting in negative working capital of Kshs.24,457,269. Although the issue has been disclosed in the financial statements, the Management did not provide measures taken to change the situation.

In the circumstances, the Company's sustainability is dependent upon continued support from Government, shareholders, bankers, and creditors.

## **Key Audit Matters**

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

## **Other Matter**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.358,497,855 and Kshs.150,021,839 respectively, resulting to an underfunding amounting to Kshs.208,476,016 or 58% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.354,249,291 and Kshs.155,331,655 respectively, resulting to an under absorption amounting to Kshs.198,917,636 or 56% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref AG.3/88/2 Vol. VII (20) dated 11 May, 2022.

## **Other Information**

The Directors and Management are responsible for the other information, which comprises (The Chairman's Report, Directors' Report, the Statement of Corporate Governance, Management Discussions and Responsibilities, Statement of Corporate Social Responsibility and the Statement of Directors' Responsibilities.)The other information does not include the financial statements and my auditor's report thereon.

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

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1.0 Non-Compliance with Law on Ethnic Composition**

During the year under review, the total number of employees of the Company was one hundred and seven (107) out of which one hundred and two (102) or 95% of the total number were members of the dominant ethnic community in the county. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

### **2.0 Overdrawn Bank Accounts**

The statement of financial position reflects a balance of Kshs.284,182 in respect to cash and cash equivalents which, as disclosed in Note 17 to the financial statements includes two bank accounts with negative bank balances of Kshs.64,182 and Kshs.766 respectively. This is contrary to Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015 which states that no official County Government bank account shall be overdrawn.

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

### **3.0 Accrued Liabilities**

#### **3.1 Unremitted Statutory Deductions**

The statement of financial position reflects accrued liabilities balance of Kshs.66,404,816 which, as disclosed in Note 23 to the financial statements include accrued expenses amounting to Kshs.27,714,760. However, it was noted that out this amount, a total of Kshs.15,594,824 had not been remitted to Kenya Revenue Authority, National Social Security Fund and National Hospital Insurance Fund as at the time of audit in January, 2023. The Management did not demonstrate its preparedness to clear the liabilities contrary to Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that "In addition to the responsibilities of Accounting Officers provided for in the Act, an Accounting Officer designated under the Constitution, the Act or any other Act, shall comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation"

In the circumstances, the Management was in breach of the law and exposes the Company to the risk of incurring interest and penalties.

#### **3.2 Delayed Payment of Employee Salaries and Wages**

The statement of financial position reflects a balance of Kshs.66,404,816 in respect to accrued liabilities which, as disclosed in Note 23 to the financial statements includes accrued expenses amounting to Kshs.27,714,760. Included in this amount is

Kshs.7,284,044 in respect to salary and wage arrears to permanent and casual employees with some dating back to the year 2016.

This is contrary to Section 18(2) (c) of the Employment Act, 2007 which stipulates that, wages and salaries shall be deemed to be due in the case of an employee in position for a period exceeding one month, at the end of each month or part thereof.

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

### **3.3 Failure to Remit Regulatory Levies**

The statement of financial position reflects a balance of Kshs.66,404,816 in respect to accrued liabilities which, as disclosed in Note 23 to the financial statements includes Kshs.5,173,713 and Kshs.1,813,521 in respect to water levies which the Company owed the Water Services Regulatory Board (WASREB) and the Water Resource Management Authority (WARMA) respectively as at 30 June, 2022. The Management did not provide a satisfactory explanation for failure to pay the levies in due time to avoid interest and penalties for non-compliance.

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

### **4.0 Supply, Installation, Configuration, Customization, Testing, Commissioning and Maintenance of an Enterprise Resource Planning (ERP)**

The statement of financial position reflects Kshs.13,057,314 in respect to net book value of intangible assets which, as disclosed in Note 27 to the financial statements includes additions during the year of Kshs.19,584,991. Review of records revealed that the Company Management entered into a contract with a firm for the supply, installation, configuration, customization, testing, commissioning and maintenance of an Enterprise Resource Planning System at a contract sum of Kshs.21,974,989. The contract commenced from 18 February, 2022 and effective for eighteen (18) months. The contractor requested for initial payment of Kshs.9,888,745.05 or 45% of the contract sum and the payment was made on 9 March, 2022.

However, Management made additional payments totalling to Kshs.9,696,246 in contravention of clause 3 of the contract agreement which provides that 55% of the total contract value will be paid after system customization, successful user training, signed off user acceptance training, data migration and system go-live.

In the circumstances, the propriety and value for money on expenditure of Kshs.9,696,246 could not be confirmed.

### **5.0 Delayed Rehabilitation and Agglomeration of Ndhiwa-Mirogi Project**

The statement of financial position reflects a balance of Kshs.195,576,736 in respect to property, plant and equipment which, as disclosed in Note 26 to the financial statements includes additions to work in progress of Kshs.28,797,307. This amount in turn include expenditure during the year of Kshs.9,800,942 for the rehabilitation and agglomeration of Ndhiwa-Mirogi project. The works were awarded to a local contractor at a contract sum of 170,945 Euros (approximately Kshs.18,803,993 at current

exchange rate) with a commencement date of 5 February, 2021 for a period of four (4) months and scheduled completion date of 5 June, 2021.

Review of records revealed that the contractor requested for variation of contract by 52,347 Euros (or approximately Kshs.5,758,167) on 12 July, 2021. However, tender evaluation report, the project completion certificate or implementation status together with Management action on the request for variation were not provided for audit review.

In the circumstances, the propriety and value for money on expenditure of Kshs.9,800,942 could not be confirmed and the delay in completion of the project affected service delivery to the residents of Homabay County.

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

### Basis for Conclusion

#### 1.0 Non-Revenue Water

The Company produced 891,459 cubic meters (M3) during the period under review while 133,719 cubic meters (M3) was categorized as waste/backwash water leaving a balance of 763,627 cubic meters (M3) available for sale. However, only 421,438 cubic meters (M3) of water were billed to customers. The balance of 342,189 cubic meters (M3) or approximately 45% of the production volume represents Non-Revenue Water (NRW) which is 20% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board (WASREB) guidelines. The Non-Revenue Water represents a loss of Kshs.14,714,127 in earnings for the Company at the average rate of Kshs.43 per m<sup>3</sup>.

In the circumstances, the effectiveness of controls on water production and billing could not be confirmed.

#### 2.0 Failure to Update Fixed Assets Register

The statement financial position reflects property, plant and equipment of Kshs.195,576,736 and as disclosed in Note 26 to the financial statements. However, the asset register maintained lacked details of capital expenditure and for water kiosks/buildings; the terms on which they were held, physical address, dates of acquisition, disposal or major change in use, and for furniture and equipment; dates of acquisition or disposals, unique identification numbers and offices issued to.

In the circumstances, the effectiveness of controls of fixed assets could not be confirmed.

### **3.0 Lack of a Risk Management Policy and Framework**

The Management had not put in place a risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the Management manages risk exposures. This is in contravention of Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of controls of risk management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit so as to obtain assurance as to whether processes and systems of internal control, risk management and overall governance was maintained in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

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

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

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

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may lead the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



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

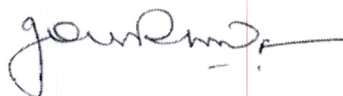
**Nairobi**

**18 April, 2023**

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022</b>				
			<b>2021/2022</b>	<b>2020/2021</b>
			<b>Kshs</b>	<b>Kshs</b>
<b>REVENUES</b>				
	Revenue	9	50,931,711	57,366,021
	Cost of Sales	10	(14,682,487)	(37,810,049)
<b>GROSS PROFIT</b>			<b>36,249,224</b>	<b>19,555,972</b>
<b>OTHER INCOME</b>				
	Donor Grants	11	98,309,463	52,743,908
	Miscellaneous Income	12	780,665	3,125,511
			<b>99,090,128</b>	<b>55,869,419</b>
<b>TOTAL REVENUE</b>			<b>135,339,352</b>	<b>75,425,391</b>
<b>OPERATING EXPENSES</b>				
	Administration Costs	13	140,285,047	82,061,860
	Finance Costs	14	364,121	446,779
<b>TOTAL OPERATING EXPENSE</b>			<b>140,649,168</b>	<b>135,370,089</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>			<b>(5,309,816)</b>	<b>(7,083,248)</b>
	INCOME TAX EXPENSE	15	-	-
<b>PROFIT/(LOSS)</b>			<b>(5,309,816)</b>	<b>(7,083,248)</b>



**Prof. George Krhoda**  
Board Chairman  
Date



**Evans L. Nyagol**  
Managing Director  
Date

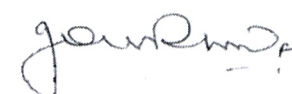


**CPA Zeddy Omondi**  
Finance Manager: ICPAK REG. 28722  
Date

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022			
		2021/2022	2020/2021
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>	<b>NOTE</b>		
Property, Plants and Equipment	26	195,576,736	150,008,437
Intangible Asset	27	13,057,314	
<b>Total Non-Current Assets</b>		<b>208,634,050</b>	<b>150,008,437</b>
<b>Current Assets</b>			
Inventories	15	2,857,638	1,117,396
Net Trade and other receivables	16	63,330,391	57,349,568
Cash and cash equivalents	17	284,573	1,060,909
Amount Owed By Shareholders	18	100,000	100,000
<b>Total Current Assets</b>		<b>66,572,602</b>	<b>59,627,873</b>
<b>TOTAL ASSETS</b>		<b>275,206,652</b>	<b>209,636,310</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital/Initial Capital	19	2,831,702	2,831,702
Retained earnings	20	(30,482,934)	(25,173,118)
Capital Reserves	21	37,724,252	37,724,252
<b>Capital and Reserves</b>		<b>10,073,020</b>	<b>15,382,836</b>
<b>Non-Current Liabilities</b>			
Deferred Income – Grant	22	174,103,762	111,579,993
<b>Total Non-Current Liabilities</b>		<b>174,103,762</b>	<b>111,579,993</b>
<b>Current Liabilities</b>			
Accrued Liabilities	23	66,404,816	61,281,268
Trade payables	24	17,179,575	15,085,858
Customer Deposits	25	7,445,480	6,306,355
<b>Total Current Liabilities</b>		<b>91,029,871</b>	<b>82,673,481</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>275,206,652</b>	<b>209,636,310</b>



Prof. George Krhoda  
Board Chairman  
Date



Evans L. Nyagol  
Managing Director  
Date



CPA Zeddy Omondi  
Finance Manager:ICPAK REG. 28722  
Date

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

<b>STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2022</b>			
	<u>Notes</u>	<u>2021/2022</u>	<u>2020/2021</u>
		<u>Kshs</u>	<u>Kshs</u>
<b>Cash flow from operating activities:</b>			
Net profit/Loss		(5,309,816)	(7,083,248)
Prior Year Adjustment		-	19,459,493
		<b>(5,309,816)</b>	<b>12,376,245</b>
<b>Adjustment for non-cash operations</b>			
Depreciation charge	26	16,195,395	8,785,643
Provision for Bad debts		-	1,610,535
Amortization of Software	27	6,527,678	-
<b>Net cash from operating activities</b>		<b>17,413,256</b>	<b>22,772,423</b>
<b>Changes in Working Capital</b>			
Increase/Decrease in Inventories	19	(1,740,242)	188,664
Increase/Decrease in Receivables	16	(5,980,824)	(3,223,251)
Increase/Decrease in Payables	24	2,093,717	102,589
Increase/Decrease in Accruals	23	5,123,547	(15,180,698)
Increase/Decrease in bad debts provision		-	(1,610,535)
Customer Deposits	25	1,139,126	1,004,502
<b>Net Change in working capital</b>		<b>(635,324)</b>	<b>(18,718,729)</b>
<b>Cash flow from Investing activities:</b>			
Fixed Assets Additions	26	(61,763,694)	(22,181,822)
Acquisition of intangible assets	27	(19,584,991)	-
Work in Progress		-	(51,593,579)
<b>Total cash from Investing activities</b>		<b>(81,348,686)</b>	<b>(73,775,401)</b>
<b>Cash flow from Financing activities:</b>			
Cash from deferred income grant	22	62,523,769	69,485,211
Share Capital Account			1,054,991
Interest & Commission Received		-	
<b>Total cash from Financing activities</b>		<b>62,523,769</b>	<b>70,540,202</b>
<b>Increase/Decrease in Cash and cash equivalents</b>		<b>(776,336)</b>	<b>818,495</b>
<b>Cash balance at the beginning of the year</b>		<b>1,060,909</b>	<b>242,414</b>
<b>Cash balance at the close of the year 30 June 2022</b>		<b>284,573</b>	<b>1,060,909</b>

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022**

	<b>Ordinary share/Initial capital</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Capital Reserves</b>	<b>Total</b>
<b>At July 1, 2020</b>	<b>1,776,711</b>	<b>-</b>	<b>(37,549,363)</b>	<b>37,724,252</b>	<b>1,951,600</b>
Transfer of excess to Equity		-	-		-
Deferred tax on excess depreciation	-	-	-		-
Prior year adjustment	1,054,991	-	19,459,493		20,514,484
Profit for the year	-	-	(7,083,248)		(7,083,248)
Dividends paid – 2020	-	-	-		-
Interim dividends paid – 2021	-	-	-		-
Proposed final dividends	-	-	-		-
<b>At 30 June 2021</b>	<b>2,831,702</b>	<b>-</b>	<b>(25,173,118)</b>	<b>37,724,252</b>	<b>15,382,836</b>
<b>At July 1, 2021</b>	<b>2,831,702</b>	<b>-</b>	<b>(25,173,118)</b>	<b>37,724,252</b>	<b>15,382,836</b>
Reversed excess equity	-	-		-	-
Deferred tax on excess depreciation	-	-	-	-	-
Prior year adjustment	-	-	-	-	-
Profit for the year	-	-	(5,309,816)	-	(5,309,816)
Dividends paid – 2021	-	-	-	-	-
Interim dividends paid – 2022	-	-	-	-	-
Proposed final dividends	-	-	-	-	-
Transfer of Deferred Income Liability	-	-		-	-
<b>30 June 2022</b>	<b>2,831,702</b>	<b>-</b>	<b>(30,482,934)</b>	<b>37,724,252</b>	<b>10,073,020</b>

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% of Utilization</b>
	<b>2021-2022</b>	<b>2021-2022</b>	<b>2021-2022</b>	<b>2021-2022</b>	<b>2021-2022</b>	<b>2021-2022</b>
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Water Sales	97,203,500	-	97,203,500	33,967,473	63,236,027	35%
Sewerage Income	14,191,200	-	14,191,200	10,314,738	3,876,462	73%
Tanker/ Exhauster Income	9,976,080	-	9,976,080	6,649,500	3,326,580	67%
Other Incomes	5,160,920	-	5,160,920	780,665	4,380,255	15%
Grants from Government	231,966,155	-	231,966,155	98,309,463	133,656,692	42%
<b>Total Revenue</b>	<b>358,497,855</b>	<b>-</b>	<b>358,497,855</b>	<b>150,021,839</b>	<b>208,476,016</b>	<b>42%</b>
<b>Expenses</b>						
Personnel Costs	54,393,830	-	54,393,830	35,473,472	18,920,358	65%
Administration Costs	37,323,935	-	37,323,935	42,141,379	4,817,444	112%
Governance Costs	2,905,500	-	2,905,500	1,325,322	1,580,178	45%
Technical Costs	49,971,000	-	49,971,000	14,682,487	35,288,513	29%
Compliances Levies Costs	5,791,351	-	5,791,351	1,845,190	3,946,161	32%
Project Costs	203,513,675	-	203,513,675	59,499,684	144,013,991	29%
Finance Costs	350,000	-	350,000	364,121	14,121	104%
<b>Total Expenditure</b>	<b>354,249,291</b>	<b>-</b>	<b>354,249,291</b>	<b>155,331,655</b>	<b>198,917,636</b>	<b>48%</b>
<b>Surplus for the period</b>	<b>4,248,564</b>	<b>-</b>	<b>4,248,564</b>	<b>(5,309,816)</b>	<b>9,558,380</b>	

## **Explanation of Variances**

### **1. Water Sales**

During budgeting, it was anticipated that three new production plants in Oyugis, Kendu Bay and other rural schemes will start operation within the period 2021/22 but this didn't materialize. The Production target which is the driver of all these other parameters was not achieved hence shortfall in annual revenue. There is hope that most of these new plants may be commissioned and start operating in the next financial year (2022/2023) to boost production.

The ripple effect of COVID pandemic continues to affect our billing due to suppressed economy. Many customers are hit so hard they are not willing to use water.

### **2. Tanker/Exhauster Income**

Same as in (1) above, water and exhauster sales rely heavily on the stated factors to record targeted sales volumes. The exhauster trucks rely heavily on learning institutions, the intense competition from private trucks has also resulted into our revenue. Two Trucks one for exhausting and the other for Water Broke down in the course of the year. This affected sales output in a big way hence the underachievement of target.

### **3. Grants from Government and Other Donors**

There was underperformance in this area due to inadequate resource mobilization strategies and financial constraint from the donor community. However, the company through the board has come up with Resource Mobilization Department to focus fully on the mobilization of funds.

### **4. Project Costs**

Because of limited funding, most of the projects were to be differed to the future due to donor hesitant and cash flow challenges. This Gain Excludes the capital project cost spent on various investments as noted above.

## **Conclusion**

The overall expenditure target was not fully absorbed as expected by 48% mostly due to constrained Revenue which also fell short of target by 58%. Management had to operate within the constrained revenue to avoid unnecessary huge losses. Another cause was under performance on production which equally did not meet the budget target. Infrastructural investment failed to materialise due to Less Donor funding which was the major source of financing for this area. The Grant budget under performed by 71% hindering investment plans which was meant to boost production. Without adequate investment in infrastructure, production remained constant hence the underperformance on revenue.

## NOTES TO SIGNIFICANT CHANGES IN FINANCIAL AND ACCOUNTING POLICIES

### 1. GENERAL INFORMATION

Homa Bay County Water & Sanitation Co. Ltd is public liability company registered under the company's act 2015, established by Water Act 2002 (repealed and replaced by water act 2016). The company derives its authority and accountability from Section 164 of the PFM act 2012.

The entity is wholly owned by the County Government of Homa Bay and is domiciled in Kenya. The entity's principal activity is the provision of water and sanitation services within Homa Bay County.

### 2. BASIS OF PREPARATION& STATEMENT OF COMPLIANCE

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost basis of accounting and presented in the functional currency, Kenya Shillings (Kshs) rounded to the nearest shilling.

The preparation of financial statements is in conformity with the IFRS requires 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, are disclosed in notes below.

### 3. GOING CONCERN

The Company made a loss after tax of Kshs 5,309,816 (2021: Kshs 7,083,248) during the year which resulted in accumulated losses totalling Kshs 30,482,934 (2021: retained earnings of Kshs (25,173,118). The directors have not indicated any willingness to discontinue the operations of the company in the next twelve months.

It's the attestation of the management and the board of directors that the company will operate without any hitch in the next twelve months and beyond. The following factors are in place to help achieve this:

- i. The company is undergoing an expansion program that covers every aspect of business in automation of processes, increase in production volumes, extension of pipeline networks, increase in area of service coverage, and staff development among other key issues. Due to intensive investment requirement towards achievement of these activities, our operational income may not help much in the short run. However, in partnership with development partners from Netherlands and other local donors, National Government and County Governments, there is an assurance that above mentioned strategies will be achieved in the next three years. Already a funding contract has been signed between the company and DUNEA water works of Netherlands that will see investment in last mile connectivity and business automation in the next five years.
- ii. The county Government of Homa Bay has undertaken to include the investment program of the Company in their County Investment Development Plan (CDP). This will see more investment in water distribution and other last mile connectivity in the pro-poor areas of Homa Bay population.

- iii. The company is planning to introduce other water business lines such as bottling water for sales within Homa bay and beyond.

All these factors combined will see the company generate more revenue to sustain its operations within three years' time.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The company is not intending to implement the standard at the moment. IAS 39 will still be applicable in the circumstances

##### **a) Earlier Adoption of Standards**

There is no intention to implement any standard in advance this financial year

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

##### **b) Revenue Recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria has been met before revenue is recognized:

###### **i) Provision of Water & Sewerage services**

Revenue from provision of water & sewerage services is recognized when these services are delivered to customers & billed by the company.

However, the amounts will be subjected to adjustments when errors are realized, in relation to meter readings and subsequent billings. Non-Revenue water is not recognized as income since it's not billed.

###### **ii) Grants**

Income from donors is recognized on cash basis. Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

For example, a revenue grant is recognized as income over the years necessary to match the grant on a systematic basis to cost that it is intended to compensate.

Recurrent grants are recognized in the statement of comprehensive income. Development/ Capital grants are recognized in the statement of financial position as deferred income liability and realized in

the statement of comprehensive income over the useful life of such assets as an amortized charge equivalent to the rate of depreciation applied on such assets.

**b) In-Kind Donations**

In-kind contributions are donations that are made to the company in the form of actual goods/services rather than in money or cash terms. These Donations may include vehicles, equipment or personnel services. Where financial value received for in-kind contribution can be reliably determined, the company includes such value in the statement of comprehensive income if revenue in nature otherwise to the balance sheet if Capital.

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. The depreciation charge is effected on the year an asset is purchased using straight line method. Disposals of assets is charged on the year an asset is sold or transferred using the fair value method.

**d)The annual depreciation rates in use are:**

Building and civil works-Water Kiosks & buildings	4%
Plant Machinery and Equipment	12.5%
Motor vehicles, including motor cycles	25%
Generators	12.5%
Computers and related equipment	30%
Office furniture and fittings	12.5%
Master meters	12.5%
Computer Software	33.33%

**e) Capital Work-in-Progress**

Work –in-Progress is assessed based on the actual build up costs that are incurred in the course of project implementation. The project period must be longer than one financial period before completion for such process to be declared work in progress.

**f) Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from years that they are available for use, usually over three years. During the year an additional intangible cost was incurred towards the ERP system purchases at Ksh. 19,594,991.20

**g) Inventories**

Inventories are stated at the lower of costs and net realizable value. The costs of inventories comprise purchase price, import duties, transportation and handling charges, and is determined on the weighted average price method.

**h) Trade and other Receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on review of all outstanding amounts by the year end. Bad debts are written off after all efforts at recovery have been exhausted. The company did not provide for bad debts during the year since it has engaged an external entity to help in the debt recovery.

**i) Cash and Cash Equivalents**

Cash and Cash Equivalents comprises of cash in hand and cash at bank.

**j) Trade and other payable**

Trade and other payables are non-interest bearing and are amortized cost, which are measured at the fair values 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 payment made to the suppliers.

**k) Retirement benefit obligations**

The entity does not have defined contribution scheme for all employees since they are all on contract terms. The company only contributes to the Defined Benefits statutory scheme (National Social Security Fund NSSF). This is a defined Contribution scheme registered under the NSSF act.

**l) Provision for staff leave pay**

Employees' entitlements to annual leave are recognized as they accrue at the employees during the year. Un paid leave are forfeited every year.

**m) Comparative figures**

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

**n) Translation of foreign currencies**

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates) which is Kenya Shillings.

"Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date".

**6. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets, and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgment in applying the entities accounting policies are dealt with below:

**a) Critical judgements in applying accounting policies**

There are no critical judgments, apart from those involving estimations (see b below), that the directors have made in the process of applying the company's accounting policies and that the most significant effect on the amounts recognized in financial statements.

**b) Key sources of estimation uncertainty**

i) At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such loss exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is possible to estimate the recoverable amount of

an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

ii) Critical estimates are made by the directors in determining depreciation rates for property, plant, equipment and intangible equipment.

iii) The company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

The Company did not encounter any contingent liabilities in respect of legal claims arising in the ordinary course of business during the year.

**iv) Provisions for Doubtful Debts**

Provisions are raised and management determines an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligations at the reporting date, and are discounted to present value where the effect is material.

During the year, provision for bad debts was made based on a rate at 2.56% per annum where the recoverability of the said debts is presumed to be in doubt. A total figure of Kshs 5.684million has been generally pronounced subject to further scrutiny and follow-up before write-off.

**v) Prior year Adjustments**

An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information. If none is specified, or if change is voluntary, the new accounting policy is applied retrospectively by restating prior year periods. If it is impracticable to determine period-specific effects for retrospective application, the new accounting policy is applied as of the beginning of the earliest period for which the retrospective application is practicable and cumulative adjustments are made to balances at the beginning of that period. In such a case the new accounting policy is applied prospectively from the start of the earliest period chosen as practicable when the entity cannot determine the cumulative effects of applying the policy to all prior periods.

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**a) Key management compensation**

Key management includes Directors (non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	<u>2021/22</u> <u>Kshs</u>	<u>2020/21</u> <u>Kshs</u>
Salaries and other short-term employment benefits	<u>5,106,360</u>	<u>4,863,200</u>

**b) Directors' remuneration**

	<u>2021/22</u> <u>Kshs</u>	<u>2020/21</u> <u>Kshs</u>
Fees for services as director	413,322	411,800
Other emoluments included in employee benefits (Note 4)	<u>912,000</u>	<u>1,033,000</u>
<b>Total</b>	<u><u>1,325,322</u></u>	<u><u>1,444,800</u></u>

**Note 8 Financial Risk Management**

The Company is exposed to a variety of normal financial risks and management continuously seeks to minimize potential adverse effects of these risks on its financial performance.

**a) Credit Risk Management**

Over 75% of receivables are recovered within 30 days and utilization of credit limits is regularly monitored. The amount that best represents the company's exposure to credit risk as at year end is made up as follows:

	<b>Fully Performing</b>		<b>Impaired</b>	<b>Total amount</b>
	<b>KSh</b>		<b>KSh</b>	<b>KSh</b>
Due from Trade receivables	51,271,185		(5,684,616)	45,586,569
Other Receivables	13,836,121		-	13,836,121
Staff Imprests & Advances	450,181		-	450,181
Bank and cash balances	284,573		-	284,573

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Amount Owed By Shareholders	100,000		-	<b>100,000</b>
<b>At 30th June 2022</b>	<b>65,942,060</b>		<b>(5,684,616)</b>	<b>60,257,444</b>
Due from Trade receivables	39,113,003	6,902,294	(5,684,616)	<b>40,330,681</b>
Other Receivables	6,575,727	9,893,582	-	<b>16,469,309</b>
Staff Imprests & Advances	549,009	-	-	<b>549,009</b>
Bank and cash balances	1,060,909	-	-	<b>1,060,909</b>
Amount Owed By Shareholders	-	100,000	-	<b>100,000</b>
<b>At 30th June 2021</b>	<b>47,298,648</b>	<b>16,895,876</b>	<b>(5,684,616)</b>	<b>58,509,908</b>

**b) Liquidity Risk Management**

Liquidity is managed to ensure sufficient cash is available to meet the Company's obligations as they fall due. Cash forecasts are prepared monthly and all cash requirements are met from operational income.

<b>Note 9</b>	<b>REVENUES</b>	<b>2021/2022</b>	<b>2020/2021</b>
<b>Note 9a</b>	<b>WATER SALES</b>	<b>Kshs</b>	<b>Kshs</b>
	Water sales-billing	33,189,973	39,874,708
	Water sales-Cash	777,501	700,121
	Sewerage	10,314,738	11,775,372
		<b><u>44,282,211</u></b>	<b><u>52,350,201</u></b>

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

<b>Note9b</b>	<b>WATER TANKER AND EXHAUSTER INCOME</b>		
		<b>2021/2022</b>	<b>2021</b>
	Water Tanker Income-Direct	4,418,100	3,446,320
	Exhauster Income	2,231,400	1,569,500
		<b>6,649,500</b>	<b>5,015,820</b>
	<b>REVENUES</b>	<b><u>50,931,711</u></b>	<b><u>57,366,021</u></b>

<b>Note 10</b>	<b>COSTS OF SALES</b>	<b>2021/ 2022</b>	<b>2020/2021</b>
	a) Production Costs	<b>Kshs</b>	<b>Kshs</b>
	Chemical Usage	3,520,000	5,546,409
	Electricity cost	5,189,422	25,124,459
	Laboratory Goods/Services supplies	100,200	104,300
		<b>8,761,122</b>	<b>30,171,176</b>
	b) Operations and Maintenance Costs		
	Pipeline Repair & Maintenance	887,300	2,765,075
	Plant Repair & Maintenance	1,474,100	265,140
	Sewerage Repair & Maintenance	100,200	230,250
		<b>2,461,600</b>	<b>3,260,465</b>
	c) Tanker and Exhauster cost	3,459,765	3,774,416
	<b>Total Cost of Sales</b>	<b>14,682,487</b>	<b>37,810,049</b>

<b>Note11</b>	<b>GRANTS</b>	<b>Kshs</b>	<b>Kshs</b>
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**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	County Government subsidy	5,189,422	25,924,459
	WSTF Grant	28,604,411	4,003,250
	Dunea Grants	63,556,174	15,246,289
	Queeno Investment Ltd	675,428	-
	Jiangxi Transport Engineering	-	3,000,000
	Regnon Ltd	-	1,169,910
	Belgium-CMI	284,027	3,400,000
	<b>TOTAL GRANTS</b>	<b>98,309,463</b>	<b>52,743,908</b>
<b>Note 12</b>	<b>MISCELLENEOUS INCOME</b>		
	New Connection fees	391,581	845,468
	Reconnection fess	11,500	104,600
	Other Income	377,584	386,275
	Deffered income amortised	-	1,789,168
		<b>780,665</b>	<b>3,125,511</b>
	<b>GROSS REVENUES</b>	<b>150,021,839</b>	<b>113,235,440</b>
<b>Note 13</b>	<b>ADMINISTRATION COSTS</b>		
<b>Note 13a</b>			
	Computer repairs	48,700	87,000
	Guest Tea & Entertainment	4,250	54,650
	Electricity and water	330,489	25,000

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Communication services and Telephone	641,886	920,173
Transportation, travelling and subsistence	2,592,386	1,840,930.00
Hire of Transport	94,250	74,000
Rent	240,000	240,000
Auditors' remuneration	-	250,000
Professional services & fees	3,660,945	1,810,671
Repairs and maintenance	92,100	208,530
Motor vehicle running expenses	7,587,389	6,475,755
Printing & Stationery	527,776	790,835
Recruitment Costs	79,450	204,800
M & E Costs	968,500	884,100
PR/Corporate affairs Costs	1,347,036	525,920
Debt Collection	1,203,150	1,882,530
Provision for Bad debts	-	1,610,535
Depreciation Costs	16,195,395	8,785,643
Amortisation Costs	6,527,678	
	<b>42,141,379</b>	<b>26,671,072</b>
<b>Note 13b</b>	<b>PERSONNEL COSTS</b>	
Staff costs (Note 14b)	33,651,169	31,281,361
Casual wages	1,385,453	803,421
Staff Welfare	105,850	161,140

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Staff training expenses	-	26,200
	Interns Stipends Allowances	331,000	235,800
		<b>35,473,472</b>	<b>32,507,922</b>
		<b>2021/2022</b>	<b>2020/2021</b>
<b>Note 13c</b>	<b>STAFF COSTS</b>	<b>Kshs</b>	<b>Kshs</b>
	Salaries and allowances of Contract employees	32,159,774	30,244,731
	Compulsory national social security schemes	1,067,808	1,036,630
	Gratuity	423,587	-
		<b>33,651,169</b>	<b>31,281,361</b>
	Permanent employees – Management		
	Permanent employees – Unionisable		

<b>Note 13d</b>		<b>GOVERNANCE COSTS</b>	<b>2021/2022</b>	<b>2020/2021</b>
			<b>Kshs</b>	<b>Kshs</b>
		Directors' Emoluments	413,322	411,800
		BOD Expenses	912,000	1,033,000
			<b>1,325,322</b>	<b>1,444,800</b>

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

<b>Note 13e</b>	<b>COMPLIANCE LEVIES COSTS</b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Abstraction charges	-	558,136
	WASPA	105,000	
	Water Regulatory levy-	1,750,190	2,066,021
		<b>1,845,190</b>	<b>2,624,157</b>
<b>Note 13f</b>	<b>PROJECT COSTS</b>	<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Timiza Usafi Project	37,153,936	10,054,515
	WSTF Project	20,033,467	3,375,250
	Rural Water Supply Project	100,000	206,542
	Jiangxi Transportation Engineer	-	3,000,000
	AfDB Projects	58,000	338,250
	Resource Mobilization	1,478,853	808,800
	Belgium Project-CMI	675,428	1,030,552
	<b>Total project costs</b>	<b><u>59,499,684</u></b>	<b><u>18,813,909</u></b>
	<b>TOTAL ADMINISTRATION COSTS</b>	<b><u>140,285,047</u></b>	<b><u>82,061,860</u></b>
<b>Note 14</b>	<b>FINANCE COSTS</b>	<b>2021/2022</b>	<b>2020/2021</b>
	Finance Costs	364,121	446,779
		<b><u>364,121</u></b>	<b><u>446,779</u></b>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

			2021/2022	2020/2021
<b>Note 15</b>	<b>Inventories</b>	<b>Kshs</b>		<b>Kshs</b>
	Donation in Kind		774,051	774,051
	Chemical balances		<u>2,083,587</u>	<u>343,345</u>
	<b>TOTAL</b>		<b><u>2,857,638</u></b>	<b><u>1,117,396</u></b>
			<b>2021/2022</b>	<b>2020/2021</b>
			<b>Kshs</b>	<b>Kshs</b>
<b>Note 16a</b>	<b>Trade and Other Receivables</b>			
	Homa Bay Scheme			
	Oyugis Scheme			
	Mbita Scheme			
	Kendu Bay Scheme			
	West Karachuonyo Scheme			
	Gross trade and other receivables		51,271,185	46,015,298
			<b>51,271,185</b>	<b>46,015,298</b>
	<b>Note 16b OTHER RECEIVABLES</b>			
	County Receivables		10,134,372	10,134,372
	Tanker Receivables		3,701,749	2,877,399
	Short Term Lending		147,034	147,034
	KPLC Deposit		5,000	5,000
	VAT Input Asset		3,302,079	3,302,079

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Prepayment		2,840	3,425
	Staff Advances		397,281	442,009
	Staff Imprest receivables		52,900	107,000
	Total other Receivables		<b>17,743,255</b>	<b>17,018,318</b>
	Trade and Other Receivables		<b>69,014,440</b>	<b>63,033,616</b>
	Less: Provision for Bad Debts		<b>(5,684,049)</b>	<b>(5,684,049)</b>
	<b>Net trade and other receivables</b>		<b>63,330,391</b>	<b>57,349,568</b>

<b>Note 17</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>A/C NO:</b>	<b>2021/2022</b>	<b>2020/2021</b>
Cash in hand	N/A		
Bank – Co-operative Expenditure Account	1120047915001	5,000	5,493
Bank – Co-operative Deposit Account	1120047915004	4,160	318,515
Bank- Co-operative General Account	1120047915003	2,456	-
Bank – KCB Revenue Account	1102291730	(64,182)	49,275
Bank – KCB Grant Account -KAJONA	1171039492	(766)	(766)
Bank-M-pesa	PAY BILL: 169595	60,405	50,397
Bank-KCB-WAWARE	11772778286	356	356
Postbank-Oyugis	744130009363	13,060	4,210
Postbank-Homa Bay	744130011081	9,194	7,370
Postbank-Mbita	744130011117	61	2,340

**HOMA BAY COUNTY WATER & SANITATION COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

Ubsup Homabay Project	980279319160	1,234	506,744
Equity Bank KES	980277809704	253,595	1,254
		<b>284,573</b>	<b>1,060,909</b>
<b>Note 18</b>	<b>AMOUNT OWED BY SHAREHOLDERS</b>		
		<b>2021/2022</b>	<b>2020/2021</b>
		<b><u>Ksh</u></b>	<b><u>Ksh</u></b>
County Government of Homa Bay		100,000	100,000
		<b>100,000</b>	100,000.00
<b>Note 19</b>	<b>ORDINARY SHARE CAPITAL</b>		
		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Authorised:</b>			
5,000 Ordinary shares of Kshs.20 par value eac		100,000	100,000
Initial Capital		2,731,702	2,731,702
		<b><u>2,831,702</u></b>	<b><u>2,831,702</u></b>
<b>Issued and unpaid:</b>			
5,000 Ordinary shares of Kshs. 20 par value each			

<b>Note 20</b>	<b>RETAINED EARNINGS</b>	
	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revenue Reserve B/f	(25,173,118)	(37,549,363)

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Profit/(Loss) for the Year		(5,309,816)	(7,083,248)
Prior Year Adjustments		-	19,459,493
Capital Reserves		-	-
<b>Total balance at end of year</b>		<b>(30,482,934)</b>	<b>(25,173,118)</b>
<b>Note 21</b>	<b><u>CAPITAL RESERVES</u></b>		
		<b><u>ACCOUNTS</u></b>	
		<b><u>2021/2022</u></b>	<b><u>2020/2021</u></b>
Capital Reserve B/f		37,724,252	37,724,252
Capital Reserves		-	-
<b>Total Balance at the end of year</b>		<b><u>37,724,252</u></b>	<b><u>37,724,252</u></b>
<b>Note 22</b>	<b><u>DEFERRED INCOME GRANT</u></b>		
		<b><u>2021/2022</u></b>	<b><u>2020/2021</u></b>
		<b>Kshs</b>	<b>Kshs</b>
As At 1 July		111,579,993	36,582,281
Capital Grants Received During the yr		62,523,769	69,485,211
Amortization		-	-
<b>Total balance at end of year</b>		<b><u>174,103,762</u></b>	<b><u>111,579,993</u></b>

<b>Note 23</b>			
<b>Accrued Liabilities:</b>			
Corporate Levy-LVSWB		24,511,441	24,511,441
WARMA -Levies		1,813,521	1,813,521
WASREB-Levies		5,173,713	3,533,523
Audit fee		2,005,201	1,755,201

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

WHT Payable		2,995,035	1,076,906
VAT Input Liability		(122,521)	(109,224)
Municipal Council		2,087,666	2,087,666
WASPA Subscriptions		326,000	221,000
Accrued Expenses		27,714,760	26,391,234
Total Accrued Liabilities		<b>66,404,816</b>	<b>61,281,268</b>
<b>Note 24</b>	<b>TRADE PAYABLES</b>		
		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
Trade payables		17,179,575	15,085,858
Total Trade & Other Payables		<b>17,179,575</b>	<b>15,085,858</b>
<b>Note 25</b>	<b>CUSTOMER DEPOSITS</b>		
		<b>2021/2022</b>	<b>2020/2021</b>
		<b>Kshs</b>	<b>Kshs</b>
As At July 1		6,306,355	5,301,854
Deposits Received in the year		1,139,125	1,004,501
Deposits Refunds		-	-
<b>Total balance at end of year</b>		<b><u>7,445,480</u></b>	<b><u>6,306,355</u></b>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Note 26

PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE									
	Office furniture and fittings	Plant Machinery and Equipment	Water Kiosk /Buildings	Motor vehicles including motorcycles	Computers	Capital work in progress	Generator	Master Meters	Total
	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	Kshs	Kshs	Kshs
<b>Cost/Revaluation</b>									
As at 1st July 2020	1,061,751	9,751,592	50,579,901	5,890,224	2,411,585	38,605,476	493,700	1,333,564	110,127,793
Additions		4,855,730	13,692,703	3,633,389		51,593,579			73,775,401
Transfers			40,807,450			(40,807,450)			-
Disposals	-	-	-	-		-			-
<b>As at 30th June 2021</b>	<b>1,061,751</b>	<b>14,607,322</b>	<b>105,080,054</b>	<b>9,523,613</b>	<b>2,411,585</b>	<b>49,391,605</b>	<b>493,700</b>	<b>1,333,564</b>	<b>183,903,194</b>
<b>Depreciation</b>									
As at 1st July 2020	723,408	1,801,368	14,660,972	4,942,836	2,397,090	-	71,088	512,352	25,109,114
Charge for the year	132,719	1,825,915	4,203,202	2,380,903	14,495	-	61,713	166,696	8,785,643
Impairment loss									-
<b>As at 30th June 2021</b>	<b>856,127</b>	<b>3,627,283</b>	<b>18,864,174</b>	<b>7,323,739</b>	<b>2,411,585</b>	<b>-</b>	<b>132,801</b>	<b>679,048</b>	<b>33,894,757</b>
<b>Net Book Value as at 30 June 2021</b>	<b>205,624</b>	<b>10,980,039</b>	<b>86,215,880</b>	<b>2,199,874</b>	<b>-</b>	<b>49,391,605</b>	<b>360,900</b>	<b>654,517</b>	<b>150,008,437</b>
<b>Cost/Revaluation</b>									

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

As at 1st July 2021	1,061,751	14,607,322	105,080,054	9,523,613	2,411,585	49,391,605	493,700	1,333,564	183,903,194
Additions		14,580,067	10,680,500	-	3,093,080	28,797,307		4,612,740	61,763,694
Transfers			78,188,912			(78,188,912)			-
Disposals	-	-	-	-		-			-
<b>As at 30th June 2022</b>	<b>1,061,751</b>	<b>29,187,389</b>	<b>193,949,466</b>	<b>9,523,613</b>	<b>5,504,665</b>	<b>0</b>	<b>493,700</b>	<b>5,946,304</b>	<b>245,666,888</b>
<b>Depreciation</b>									
As at 1st July 2021	856,127	3,627,283	18,864,174	7,323,739	2,411,585	-	132,801	679,048	33,894,757
Charge for the year	132,719	3,648,424	7,757,979	2,199,874	1,651,400	-	61,713	743,288	16,195,395
Eliminated at Disposal									-
Impairment loss									-
<b>As at 30th June 2022</b>	<b>988,846</b>	<b>7,275,707</b>	<b>26,622,153</b>	<b>9,523,613</b>	<b>4,062,985</b>	<b>-</b>	<b>194,514</b>	<b>1,422,336</b>	<b>50,090,152</b>
<b>Net Book Value as at 30th June 2022</b>	<b>72,905</b>	<b>21,911,682</b>	<b>167,327,314</b>	<b>-</b>	<b>1,441,681</b>	<b>-</b>	<b>299,187</b>	<b>4,523,968</b>	<b>195,576,736</b>

Note 27.

INTANGIBLE ASSET

COST OF VALUATION	KSH	LESS AMORTISATION	KSH
As at 1 July 2021	2,282,014.31	Amortisation Bf	(2,282,014.31)
Additional	19,584,991.20	Amortisation for the year	(6,527,677.57)
<b>Total Costs</b>	<b>21,867,005.51</b>		<b>(8,809,691.88)</b>

NET BOOK VALUE AS AT JUNE 30<sup>TH</sup> 2022

**13,057,313.63**