

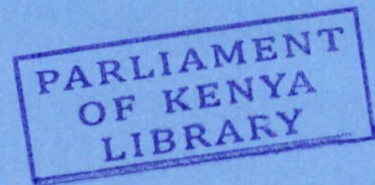
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY RURAL WATER AND
SANITATION COMPANY LIMITED**

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

PAPERS LAID	
DATE	6/3/2025
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KAKAMEGA COUNTY RURAL WATER AND SANITATION COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Kakamega County Rural Water and Sanitation Company
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1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>ISSAI</i>	<i>International Standards for Supreme Audit Institutions</i>
<i>CGK</i>	<i>County Government of Kakamega</i>
<i>CPA</i>	<i>Certified Public Accountant</i>
<i>FY</i>	<i>Financial Year</i>
<i>SMS</i>	<i>Short Message Sent</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>KPI</i>	<i>Key Performance Indicator</i>
<i>CSR</i>	<i>Corporate Social Responsibility</i>
<i>USAID</i>	<i>United States Agency for International Development</i>
<i>WKWP</i>	<i>Western Kenya Water Project</i>
<i>MD</i>	<i>Managing Director</i>
<i>Eng.</i>	<i>Engineer</i>
<i>SFP</i>	<i>Statement of Financial Position</i>
<i>SCI</i>	<i>Statement of Comprehensive Income</i>
<i>SCIE</i>	<i>Statement of Changes in Equity</i>
<i>SCF</i>	<i>Statement of Cash Flows</i>

2. Key Entity Information

Background information

Kakamega County Rural Water and Sanitation Company Limited (KACRUWASCO) is a creation of the Kakamega County Water and Sanitation Services Act, 2021. It was incorporated on March 12, 2021 under the Companies' Act, 2015. The company is 100% owned by the County Government of Kakamega. The Kakamega County Rural Water and Sanitation Company Ltd has eight (8) Directors as members of the Board (BOD), which is the highest decision-making organ of the company, with its head office currently located in Mumias town. The company is still in its initial phase of setting up its systems and structures to be fully suited to discharge its mandate as a Water Service Provider (WSP) as required by the national sector regulator, Water Services Regulatory Board (WASREB)

Principal activities of Kakamega County Rural Water and Sanitation Company

The services to be provided by the Company are as follows;

1. Provision of water and sanitation / sewerage services within Kakamega rural.
2. Operations and maintenance of water and sanitation facilities
3. Planning, design and development of water and sewerage infrastructure
4. Managing commercial operations (meter reading, billing, revenue collection, handling customer relations, efficient utilization of revenues)
5. Extending water distribution and sewer network, or sanitation services to increase coverage
6. Sourcing, treatment, storage, transmission and distribution of water
7. Collection, treatment and safe disposal of wastewater to regulatory standards
8. Conservation of water

Our Vision: To be the best rural water and sanitation services provider

Our Mission statement: To provide quality, reliable and sustainable water and sanitation services to our customers

Our values: The mission and vision of the company shall be realized by embracing the following core values;

- Customer focus
- Innovation

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- Professionalism
- Integrity
- Environmental conscious
- Diversity & Inclusivity
- Team work

Directors

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

- | | |
|---------------------------------|--|
| 1. Hon. Silverse Lisamula Anami | - Chairman- 14 th May 2024 to date |
| 2. Mr. Leonard Mayende | - Chairman- 13 th October,2023 to 13 th May, 2024 |
| 3. Peter Khamusali Ingosi | - Chairman- 1 st October 2020 to 13 th October,2023 |
| 4. Dr. Joseph Ongoma. Aswani | - Chief Executive Officer – 9 th May to date |
| 5. Eng. Fredrick Atwa | - Chief Executive Officer- 8 th February 2023 to 8 th May,2024 |
| 6. Prof. Francis Orata | - Member of the Board |
| 7. Mr. Albert Tungani | - Member of the Board |
| 8. CPA Fredric Toloyi | - Member of the Board |
| 9. Patrick Ligami | - Member of the Board |
| 10. Ms. Lucie Chogu | - Member of the Board |
| 11. Mrs. Mariam Claris Nyongesa | - Member of the Board |
| 12. Dr. Jeophita June Mwajuma | - Member of the Board |

Company Secretary

The County Attorney

County Government of Kakamega

Registered Office

Kakamega, Kenya

Mumias Municipal Building

Kakamega -Bungoma Road

P.O Box 647 – 50100

Kakamega

Corporate Headquarters

P.O. Box 647 – 50100
Mumias Municipal Building
Kakamega -Bungoma Road
Kakamega, KENYA

Corporate Contacts

Telephone: 020 230 0001
E-mail: kacruwasco.037@gmail.com

Corporate Bankers

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

Independent Auditor

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

Principal Legal Advisers

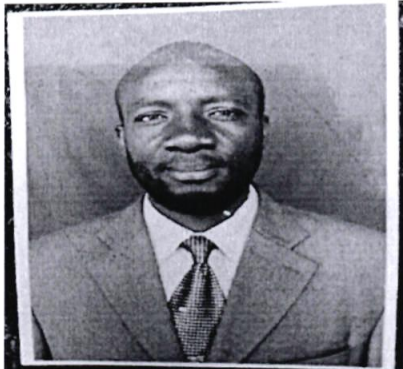
The County Attorney
County Government of Kakamega
County Headquarters, Kakamega – Kisumu Road Junction
P.O. Box 36 – 50100
Kakamega, Kenya

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3. The Board of Directors

Ref	Directors	Details
1.	 Hon. Silverse Anami Lisamula	Age- 69 The chairman of the full board was appointed by the governor on 13th May ,2024 He holds a Masters In Education,Music and Cultural Studies. Independent expert for UNESCO Convention Former Member of National Assembly,11th Parliament Is an independent director.
2.	 Mr. Leonard Mayende	Age 53- Years old The chairman served from 14th October 2023 to 13th May 2024. He holds an MSC in Procurement and Logistics He has working experience of 16 years. Was an independent director.
3.	 Mr. Peter Khamusali	Age- 56 Years old The chairman served from 1st October 2020 to 13th October 2023. He holds an MSC- Strategic management He has 25 years working experience He was an independent director.

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4.	 Prof. Francis Orata	Age- 51 Years old He holds a PHD, MSC,BSC- Environmental and toxicology chemistry-water treatment technologies and analysis He has working experience of 20 years. Is an independent director. Chairperson – Technical & Environment Committee
5.	 Mr. Albert Tungani	Age- 58 Years old He holds a BA-Education He has experience as an Executive secretary KNUT Butere Branch and as aTeacher Is an independent director. Chairperson – Finance, HR & Administration Committee
4.	 Hon. Lucie Chogo	Age- 50 Years old She holds a B.E.D (E.C.C.D) She has experience as a Former MCA-Kakamega County Assembly and Chairperson Kakamega Women Network Organization Is an independent director. Member Audit Committee

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6.	 CPA Fredric Toloyi	Age- 47 Years Old He holds an MBA,BSC,CPA(K) He has over 15 years experience in Finance and Audit Is the Chief Financial Manager Lake Victoria North Water Works Development Agency Chairman Audit Committee
7.	 Mr. Patrick Ligami	Age 64 years He holds a Masters in Education He has over 30 years experience in Water matters and Education. He is a Member of the Technical and Finance, Human Resource and Administration.
8.	 Mrs. Mariam Claris Nyongesa Chief Officer, Water	Age 39 years old She holds a Masters in Crop Protection (Masinde Muliro University of Science and Technology) She is the CGK representative from the Ministry of Water Over 10 years experience in administration and environment matters. She is a member of the Technical Committee
9.	 Dr. Jeophita June Mwajuma Chief Officer Finance	Age 52 years old She holds a Doctor of Philosophy in Environmental Microbiology She is the CGK representative from the Ministry of Finance. Over 20 years experience in administration. She is a member of Finance, Human Resource and Administration Committee.

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10	 Eng. Fredrick Atwa	Age- 58 Years old Acting Chief Executive Officer from 8th February 2023 Up to 8th May,2024 He holds a Master of Project Planning and Management (Research) He has experience of over 30 years in the water sector
11	 Dr Joseph Ongoma Aswani	Age- 53 Years old The substantive Chief Executive Officer from 9th May,2024 He holds a PHD in Human Resource Management He has more than 25 years experience in Human Resource and Strategic Management.

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4. Key Management Team

Ref	Management	Details
1.	 Eng. Fredrick Atwa	Acting Chief Executive Officer from 8th February 2023 Up to 8th May, 2024 He holds a Master of Project Planning and Management (Research) He has experience of over 30 years in the water sector
2.	 Dr. Joseph Ongoma Aswani	The substantive Chief Executive Officer from 9th May, 2024 to date. He holds a PHD in Human Resource Management He has more than 25 years experience in Human Resource management.
3.	 Eng. Mary Ndiema	Technical Manager from 1st June, 2024 to date She holds a Bachelor degree in Civil Engineering and a Bachelors degree in Water engineering She has over 20 years experience in the water sector and as a water superintendent in the County Government of Kakamega.

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4.	 CPA Simiyu Stacy Nekoy	Accountant from 1st October,2023 to date Holds a Bachelor of Science in Accountancy Is a Certified Public Accountant She has over 5 years experience in Accounting and Finance
5.	 Ms. Faith Rutto	Ag. Commercial & Finance Manager up to 31st September , 2023 She holds a Bachelor of Commerce in Finance and CPA V She has over 5 years experience in Finance in the water sector.
6.	 Mr. Cyprian Weredi	Human Resource Manager He holds Bachelor of Commerce- Human Resource and an MBA. He has over 10 years experience in Human Resource and Administration in the public sector.

5. Chairman's Statement



Dear Stakeholders,

It is my pleasure to present this year's Chairman's Report for Kakamega Rural Water and Sanitation Company highlighting the key activities, successes, and challenges we have faced, as well as the strategic direction we aim to pursue in the coming year.

Throughout the year, we focused on several critical activities aimed at improving our operational efficiency, expanding water access, and ensuring sustainable growth. The key activities included:

- **Infrastructure Development:**

We undertook significant infrastructure improvements, including the expansion of water pipelines through take-over of new schemes and the renewal of dry line to meet growing demand.

- **Water Metering Initiatives:**

The rollout of meters began in targeted regions to improve billing accuracy and reduce non-revenue water.

- **Stakeholder Engagement:**

We engaged with local communities, the county government, development partners such as the USAID- Western Kenya Water Project to ensure alignment of our goals with national and county water strategies and community needs.

- **Environmental Sustainability Efforts:**

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Focused on integrating renewable energy (solar-powered pumps) into our operations, reducing our carbon footprint, and ensuring long-term sustainability.

This year marked significant achievements for our organization, driven by the dedication of our management, staff, and partners. Key successes include:

- **Increased Water Coverage:**

- Through ongoing projects, we extended our water supply all over rural population, with a growth of 58% from the previous year, positively impacting more households.

- **Financial Performance:**

- Our revenue growth remained steady, with a notable 43.7% increase in operating revenue despite challenging economic conditions.

- **Operational Efficiency:**

- The introduction of digital billing and distribution of bills has reduced non-revenue water and streamlined our billing process.

- **Licensing**

A license was acquired from the sector regulator, WASREB, this is enabling us discharge our mandate with full legal status and to enable us take up opportunities for resources mobilization. While we have achieved many milestones, we faced several challenges that required strategic attention:

- **Rising Operational Costs:**

The ongoing rise in electricity costs and inflation has directly impacted our operational expenses, especially with the need for additional water treatment and distribution.

- **Aging Infrastructure:**

Some of our infrastructure, particularly in older service areas, is in urgent need of repair and replacement, affecting the reliability of water services.

- **Regulatory and Compliance Challenges:**

Navigating through increasingly stringent regulations has required more attention and resources, as compliance is paramount for our continued operations.

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Looking ahead, Kakamega Rural Water and Sanitation Company, will continue to pursue a growth strategy focused on sustainability, service delivery, and financial stability. Our key priorities for the next year include:

- **Expansion of Water Access:**

- We will prioritize extending water supply networks to underserved communities and exploring partnerships to fund these projects.

- **Technological Integration:**

- We aim to accelerate the adoption of smart technologies, including advanced metering infrastructure (AMI), to further improve operational efficiency.

- **Capacity Building:**

- We will continue to invest in training and development for our employees to equip them with the skills required to navigate future challenges.

- **Financial Sustainability:**

- We remain committed to prudent financial management, ensuring that we continue delivering quality services while maintaining a solid financial position.

In conclusion, I extend my gratitude to the Board of Directors, management, staff, and all our stakeholders for their unwavering support. We remain optimistic about the future and committed to ensuring that Kakamega Rural Water and Sanitation Company continues to fulfil its mission of delivering safe, reliable, and sustainable water services to our communities.

We will continue to overcome challenges and capitalize on opportunities to drive growth and ensure that we become a leader in the water services sector.

Thank you for your continued trust and support.



Hon. Silverse Anami Lisamula
Chairman of the Board.

6. Report Of the Managing Director

I am glad to be introducing KACRUWASCO 2023/2024 annual report

Established in 2021, KACRUWASCO is one of the pioneer water service providers to the rural population in Kenya, serving the Kakamega county rural population. It's my privilege to be writing to you all from this desk as we near five years since the company was formed. Over the last years our company has grown at a compounded annual growth of over 8% each. It is now four months since my transition as Chief Executive Officer, and I am happy to report it has been a stable and seamless experience for all our stakeholders. During this period, we focused on revival and improvement of our water schemes and repayment of pending bills.

The performance is a clear indication of what the company can achieve when our revenue and billing department has a clear focus. We have renewed our emphasis on cost and cash discipline going forward. Our focus in 2024/2025 is to successfully increase connectivity, launch new schemes which will bring significant benefits to our customers in the rural population and to continue to maximize our current portfolio.

Performance and Value Based Culture

Our ambition as a company is to achieve a high performance culture putting efficiency and effectiveness at the heart of KACRUWASCO , remaining true to our values and our purpose, to help our rural population do more , feel better , live longer with adequate supply of affordable and clean water . Our customers demand for value for money has remained central to our customer centric efforts. The rising electricity bills, pipe vandalism and destruction due to major road construction projects were major concerns during the year. Given the momentum we are seeing in our renewed energy, the operating performance improvements we are driving we have increasingly confident in our ability to deliver our mandate of making Amatsi Khumuliango a true realization.

Areas of growth

We are pleased with the addition of four more new schemes Mutaho , Mulwanda, Lwandeti and Kuvasali which contributed to increased connectivity number. We will continue to drive growth in revenue collection since we still have untapped potential in the county in terms of coverage, indicating room for further growth.

Geographic and Demographic Analysis

- **Population Growth Areas:** We are analyzing demographic data to identify regions experiencing population growth. These areas may require expanded water infrastructure to meet increasing demand.
- **Underserved Communities:** Identifying areas with limited or no access to clean water. Rural or remote communities, which may present significant opportunities for new service expansions.

Regulatory and Policy Opportunities

- **Government Incentives:** Explore available grants, subsidies, or incentives for expanding water services or improving infrastructure. Government policies may support expansion into new areas or improvement of existing services.
- **Partnerships and Collaborations:** Look for opportunities to partner with local governments, development agencies, or other stakeholders to expand coverage.

Community and Economic Development

- **Economic Development Zones:** Target economic development zones or areas with new commercial or residential developments where water infrastructure might be needed.
- **Community Engagement:** Engage with local communities to understand their needs and aspirations regarding water services. Community-driven insights can reveal untapped potential for coverage expansion.

Climate and Environmental Considerations

- **Climate Resilience:** Assess areas that are vulnerable to climate change impacts and consider how expanding coverage or improving infrastructure can enhance resilience.

- **Water Resource Management:** Evaluate the availability of local water resources and how they can be managed to support expanded coverage.

Financial Analysis

- **Cost-Benefit Analysis:** Conduct a cost-benefit analysis to determine the feasibility of expanding coverage in different areas. Consider factors such as investment costs, potential revenue, and long-term benefits.
- **Revenue Opportunities:** Explore new revenue streams that could support expansion, such as premium services or partnerships with local businesses.

Opportunities

Connectivity continues to present extensive opportunities, including churches, schools and other institutions. We fully support the governors clarion call of “*Amatsi Khumuliango*” and we will endeavor to make it a reality with about 35% of homes connected, we are at early growth stage. Going forward, we shall refocus on our sector service provision and technology expertise, emphasis and refresh the core values that define who we are as a company and double down on customer certification and employee empathy .

We had a rather field finish to the financial year 2023/2024, with revenue for this year at Ksh. 18,744,720 This is a growth of 43.7% over the previous year. Demand for service has showed a remarkable resilience despite major financial challenges, throughout the period. During this year, Connectivity grew from 2,700 to 4,659 households indicating a growth of 58% . In strengthening the manpower capacity, the Board recommended the secondment of a technical officer and an internal auditor. The company also successfully recruited a substantive CEO to strengthen its management team.

Building our skilled workforce

Our approach to skilled manpower is strategic. We consider our employees as key stakeholders in our growth. Our ability to continuously embrace new knowledge and stay relevant defines us and gives us a significant edge over our competitors. Currently we have strength of forty seven employees, in this financial year 2023/2024 we trained our staff on Corporate Governance and Customer care.

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Passion for our mandate / purpose

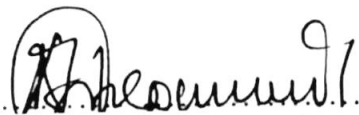
KACRUWASCO is meaningfully connecting households with tapped water, including institutions of learning, churches and business premises. We will endeavor to work with our partners , stakeholders and rural communities across the county , persuing our Governors clarion call for Amatsi Khumuliango while exploring areas of water service provision , climate and sustainability . Trough clearly defined focus areas and strategic programmes , our work has impacted the lives of the Kakamega rural population . We are working with the community and partners to help increase connectivity while building capacity of the beneficiaries.

Governance

Governance at KACRUWASCO encompasses. ensuring ethical and transparent business conduct, addressing sustainability risks and aligning with disclosure requirements. The Human Resource Manual serves as a guide for all employee behavior . KACRUWASCO consciously embeds the highest standards of governance in all its operations. We have a holistic compliance framework and well-integrated Corporate Governance schedule that encourages accountability. Looking forward , we see better opportunities ahead , as company operations become more technical presented and depend on technical to drive growth. We will continuously endeavor to have an integrated business model which drives value creation for all our stakeholders . We thank all stakeholders for their continued support in our journey ahead.

Finally, I want to say thank you to all employees , partners , donors and customers or their work in 2023/2024 and especially for their support to me in my first two months as Chief Executive Officer. I look forward to working with them in 2024/2025 and beyond to deliver our priorities and improve performance for KACRUWASCO.

Best Regards.



Dr. Joseph Ongoma Aswani (PhD)

Managing Director - KACRUWASCO

7.Statement Of Performance Against Predetermined Objectives for FY 2023/24

KACRUWASCO has 7 strategic objectives within the current Strategic Plan for the FY 2022- FY 2026. These strategic objectives are as follows:

Overall Objective	To be an independent, innovative, effective and efficient water and sanitation company capable to discharge its mandate.
Strategic Objective No.1	To improve water services coverage from 35 % in 2022 to 60 % in 2026 and sewerage services coverage from 0% to 2 % in 2026.
Strategic Objective No.2	To be a commercially viable water and sanitation services company
Strategic Objective No.3	To achieve sound Operations and Maintenance Practices for improved efficiency
Strategic Objective No.4	To achieve progressive improvement of water and sanitation services from 2,750 water customers to reach 18,250 water customers and 1,000 sanitation customers by 2026
Strategic Objective No.5	To establish and enhance institutional development of the company
Strategic Objective No,6	To promote good corporate governance by the company
Strategic Objective No.7	To enhance collaborations and synergies with other stakeholders and actors in the sector and industry

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KACRUWASCO develops its annual work plans based on the above objectives. The company achieved its performance targets set for the FY 2023/2024 period for its 7 strategic pillars, as indicated in the diagram below:

STRATEGIC PILLAR	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACHIEVEMENT
To improve water services coverage	Develop a Water Master Plan for Kakamega County overall -Project development plans	Approved water master plan	Master plan is in place at the county level.
	Develop a Sewer Master Plan for Kakamega Rural Jurisdiction - Project development plans	Approved sewer master plan	No sewer plan in place
	Augment/rehabilitate/renew existing water supply schemes (10 No) to improve production from 787 m ³ / day to 1,187 m ³ / day .	Quantity of water produced	Rehabilitated two schemes misango and siville water Schemes current production is approximately 24,375m ³ /month, 1,107 m ³ /day
	Complete the construction and commissioning of the Mungakha Water Project to increase production by additional 168 m ³ per day	Complete and commissioned project	Completed and operational
	Distribution pipelines, storage/break pressure tanks and customer reticulation network	Length of pipeline distribution	Pipeline distribution network has been done for 7.3 km in the FY.
	Introduce Exhauster services to manage septic waste sites to dispose from 150 premises	No of waste sites	No exhauster services yet
To be a commercially viable water and sanitation services company	Undertake commercial viability and sustainability studies for the Company	Report	With support from KIWASH, we have done for three schemes namely Musembe, Lumino and Navakholo
	Increase number of customers from 2700 to 3500 by end of 2022	Total number of customers served	Customers increased to 4,659

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	Develop and adopt a new Water and sewer tariff	Tariff document	Yet to adopt water and sewer tariff, management is in the process of obtaining licence
	Purchase and install suitable customer water meters progressively	No. of metered customers	356 new meters installed within the financial period
	Embrace ICT in billing and revenue management.	Application of ICT billing management	Sulis billing system has been incorporated.
	Improve water revenue collection from average Kshs 200,000 per month in February 2022 to Kshs 500,000 per month in 2023	Revenue collected	Increased revenue collection to an average of Kshs 1,100,000
	Progressively reduce the number of customers on flat rate to nil	No. of flat rate customers	375 meters installed as at June 2023
To achieve sound Operations and Maintenance Practices for improved efficiency	Undertake continuous training of staff in water supply operations and plant maintenance (KEWI courses)	No. of training sessions conducted	2 Staff training sessions done across all the schemes
	Recruit qualified technical staff from 2022-2024	No. of technical staff	No staff recruited but qualified staff are seconded from KACWASCO and the county government.
	Outsourcing relevant technical services where necessary, eg pump servicing	No. of technical services outsourced	Technical services are outsourced on need basis
	Adoption of modern technology in O & M, eg solar, biogas, and automation	No. of modern technology adopted	Hybrid solar system across all the water supplies to replace electricity
	Procure 3 No Pick-up vehicle for O & M functions	No. of pick-ups procured	No motor vehicle procured in the financial year

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	Procure 7 No motor cycles for O & M activities (Two per each Region & one for HQ)	No. of motorcycles procured	Received 10 motor cycles through donation from the county government and have serviced and maintained therefore no need to procure the same
To achieve progressive improvement of water and sanitation services to from 2,750 water customers to reach 4,000 water customers and 1,000 sanitation customers by 2024	Increase water distribution network by completion and commissioning of Matunda Water Project, Lumino Dam Water Supply Project, Mungakha Water Supply Project to cover additional 130 km	No. of new customers connected	785 new customers connected , Completed and commissioned except for Matunda water project
	Facilitate customer service lines by 130 km to serve additional 7,000 customers in Matunda (2,000), Lumino dam area (2,000),Lwakhupa (2,000) and Mungakha area (1,000).	No. of customer service lines completed	Customer service lines done across all the three except Matunda water project, 7.3 km covered in total.
	Increase sewer network in townships to improve safe disposal and protect the environment.	Improvement in environmental safety and sanitation	Commisioning of one abolition block in Mayoni.
	Establish stores management for minimum stocks of pipes, fittings, meters and equipment for water and sewerage services to ensure continuous progress of works.	Monthly report	Stores management reports available
To establish and enhance institutional development of the company	To develop a Human Resource Management Policy Manual	Approved Human Resource Management Policy Manual	Human Resource policy approved
	Undertake staff job evaluation so as to re-deploy by end of 2022.	No. of staff evaluated and redeployed	Not yet done
	Conduct annual performance appraisals for staff from 2022.	No. of staff appraised	No performance appraisal done

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	Adopt improved Management Information System by 2023.	Implementation of the Management Information system	Sulis Management Information system implemented in billing.
	Enhance employee and customer satisfaction on continuous basis	Employee and customer satisfaction survey	No survey done within the year.
	Enhance use of ICT in the company	No. of business processes digitized	Billing process and bills distribution have been fully digitized. Meter reading is partially digitized by the use of mobile phones for automated meter reading.
	New office accommodation, plus branding	Completion and occupancy of new office	The company now occupies the first floor of the municipal building and the offices are renovated
	Procure suitable 1 No Saloon Vehicle 4 Wheel Drive (CEO) and 2 No. Double Cabin Pick-Up (Corporate Team Managers)	No. of Motorvehicles procured	1 double cabin procured
	Enhance equity, internal processes and compliance	No. of internal audits conducted	Three Internal audits conducted within the year.
To promote good corporate governance by the company	To develop an organization structure responsive to the core business of the company	Approved Organization structure	Organisation structure developed
	To enhance good corporate governance and ethical conduct	No. of corporate governance training	One training conducted for Board of Directors and Management.
	To develop Corporate Social Responsibility (CSR) policy and practices	Approved Corporate Social Responsibility (CSR) policy	Corporate Social Responsibility (CSR) policy and practices not developed
To enhance collaborations and synergies with other stakeholders and	Mapping of stakeholders and relevant actors	Stake holders mapping level	Stakeholders mapping yet to be done.

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actors in the sector and industry			
	Stakeholders' engagements and consultations	No. of stakeholders engagements done	2 engagements conducted at Mulwanda, Mutaho
	Communication and information sharing	No. of communication updates shared with stakeholders	periodic updates made on the company Website and social media platforms
	Develop strategies for resource mobilization	No. of partnerships formed for resource mobilization	Two partnerships formed for resource mobilization including USAID-WKWP
	Strengthen collaborations and partnership with the Lake Victoria North Water Works Development Agency.	Frequency of collaboration meetings with the agency	The agency represented by a Board Member.

8. Corporate Governance Statement

Efficient and effective provision of water levels and indeed progressive realization of the basic human right to water can only be achieved if the leadership and management in the water sector is guided by the tenets of good governance. At KACRUWASCO, we are governed with integrity and transparency in a manner which entrenches and enhances efficiency and effectiveness in water service provision. The company is run as a commercial enterprise following sound business principles.

The board of KACRUWASCO is responsible for the company's overall Corporate Governance framework. The board believes that the entrenchment of good Corporate Governance helps ensure the current and future success of the company and enhances stakeholder confidence. The board is responsible for establishing the Corporate Governance framework, whose key features are set out below. In establishing its Corporate Governance framework, the board has referred to the principles and recommended.

The board of Directors are accountable to the CECM water for achieving the corporate objectives. The CECM is accountable to the Governor who is accountable to the citizens who require the service. The competence and conduct of the board are as far as business ethics and the environment has an impact on the legitimate social interests and entirely influence reputation of long-term interests of the company in the whole county and the attainment of the County Integrated Development Plan (CIDP)

Role of The Board Of Directors

The board represents and serves the interest of the appointing authority, while considering the interests of all other stakeholders including employees, suppliers and the wider rural community. The board is accountable to the department of water for strategic direction, control and risk profile of the company, it enhances stakeholder value. Implementation of the board approved strategy is delegated to management through a formal delegation of authority to the CEO . The CEO is supported by members of the senior management team.

The board charter sets out the role of the board and how it exercises its powers and responsibilities. Certain authorities are delegated to three board committees namely the Finance , HR and Administration Committee, the Technical and Environmental Committee and the Audit and Risk Management Committee. The charter also defines the relationship and interaction between the board and management, including matters reserved to the board. The structure chart outlined below provides an overview of the company's current governance structure

Kakamega County Rural Water and Sanitation Company Annual Report and Financial Statements for the year ended June 30, 2024

Appointment of directors

The board has an appointed chairman, Hon. Silverse Anami Lisamula and the office of CEO is occupied by Dr. Joseph Ongoma Aswani (PhD). The composition of the board is as highlighted on page vii

Company Secretary

The company secretary is the County Attorney CS Vivianne MMbaka who is directly accountable to the board through the chairman on all matters to do with proper functioning of the board and the board committees. All directors have access to the services through the Company Secretary.

Board skills composition

KACRUWASCO board recognizes that having a diverse range of skills, backgrounds and experience among its directors is important for relevant decision making and effective governance. The objective is to have the required link of expertise and experience on the board so that it can effectively discharge its Corporate Governance and oversight responsibilities. It's the boards view that the current directors pose an appropriate mix of relevant skills, experience, expertise and diversity to enable the board to discharge its responsibility and activities through company's strategic objectives.

The board has identified the following mix of skills that it seeks to achieve in short and long term. The board will regularly review its skills matrix to make sure it covers the skills needed for better lasting and emerging business and governance issues relevant to the entity.

Skills and Experience

- Corporate Governance	- Innovation of technology
- Risk and compliance oversight-Audit	- Health, safety, sound and environment responsibility
- People management	- Stakeholder communication engagement
- Technical experience, both finance and water sector.	- Critical and motivative thinking
- Political experience	- Negotiation and influence
- Legal and regulatory approval	

Director Appointment

The CECM oversees the board succession planning and facilitates the selection and appointment of directors. The CECM ensures that appropriate background checks on their suitability to serve as a director are undertaken. An appropriate, external consultant are engaged to assist the company in the search and interview of new directors.

Kakamega County Rural Water and Sanitation Company

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

A director appointed serves for a period of three years renewable once. Appointment of directors is pegged on numerous factors including but not limited to:

- Skills, experience, expertise, personal qualities and attributes that will best complement the skill set and characteristics of existing directors to enhance board effectiveness.
- Diversity of board composition
- The capacity to devote the necessary time and commitment to the role.
- Potential conflict of interest independence.

Induction and Appointment

All directors receive a letter of appointment that acts out their duties, the company's expectations and the terms and conditions of their appointment. New directors are provided with an induction programme that encompasses the following activities: -

- Board risks company vision, values, strategy, culture and objective
- Company organization, status, structure and financial
- Corporate Governance framework and details.
- Board operation and processes
- Board committees
- Key management personnel
- Water schemes and locations
- Stakeholders and partners

All directors are offered ongoing professional development and training to enable them to develop and maintain their skills and knowledge. At KACRUWASCO, directors are challenged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the company. Structured director development was incorporated into formal managements, for example annual performance contracting strategy session with senior executives of the company.

Board Performance Evaluation

The board of KACRUWASCO is committed to formally evaluating its own performance, the performance of its committees as well as individual directors as well as the government processes supporting the board. The point of reference in this case being the PMC signed between the board and the chairman. The board will endeavor to ensure a performance evaluation as conducted annually in accordance with its performance

Evaluation Process as may be determined by the board.

Senior management Performance Evaluation

The board Chairman and the CEO performance reviews will be collected by the Chairmen of the Sub-committee and the result will be reported to the full board. The Board chair and the CEO have specific KPI'S (Financials and non-financial aspects) from the PMC document which will be reviewed annually and their performance will be evaluated against those KPI's and the company will disclose in its corporate governance whether such performance evaluation has been undertaken.

Kakamega County Rural Water and Sanitation Company
Annual Report and Financial Statements for the year ended June 30, 2024

Director's Independence

Directors are not involved in decisions where they have, or could be previewed which have a conflict of interest or a material personal interest. Any director who considers that there may be a conflict of interest or a material personal interest in any matter concerning the company must declare it immediately. The company secretary also monitors all information coming to the board and it's committees. Potential conflicts are flagged with the relevant Director, Committee Chairs and the Chair. As such the company considers that its current Board structure allows it to act at all times in the best interest of the company and all its stakeholders.

Board Committees

There are three Board Committee to assist the Board in exercising its responsibilities and to provide it with recommendation and advice.

1. Finance, HR and Administration Committee
2. Technical and Environmental Committee
3. Audit and Risk Management Committee.

SN	Name of Director	Ordinary Full Board	Special Full Board	Committees	Total
1	Peter Khamusali Ingosi	1	0	0	1
2	Vivienne Masitsa Litali	1	0	1	2
3	Francis Orata Omoto	3	5	6	14
4	Patrick Ligami	3	6	6	15
5	Herman Lusuli	2	2	2	6
6	Albert Tungani Shikule	3	6	6	15
7	Leonard Mayende	1	4	0	5
8	Fredrick Toloyi	2	6	3	11
9	Lucie Chogo	2	6	0	8
10	Mariam Were	2	5	2	9
11	Fredrick Atwa	2	3	5	10
12	Vivianne Mmbaka	1	2	0	3
13	Joseph Aswani	1	2	4	7
14	Jerry Mukoko	0	1	0	1
15	Patrick Mukenya	0	0	2	2
16	Silverse Lisamula Anami	1	2	0	3
17	Peninah Mukabane	0	1	0	1

Risk Management Framework and Policy

The company Risk Management Framework is anchored on the framework developed by the water department. It is supported by the Board and Senior Management Team. The Board is responsible for monitoring and reviewing the company's risk management strategy, while the senior management team is responsible for ensuring that appropriate processes and controls are in place to manage risk effectively and efficiently. Management monitors the effectiveness of risks management system and controls, including financial and non-financial risks and compliance with these systems. Senior management team report to the board directly and through the Board committee on key matters of consideration.

Audit

The Internal Audit function provides an independent and objective assurance on the adequacy and effectiveness of the company's system for risk management, internal controls and governance, along with recommendation to improve the efficiency and effectiveness of these systems and process. The audit Committee will oversee internal audit of financial and non-financial risk areas. The company will employ the following process for evaluating and continually improving the effectiveness of risks management and internal control process.

- The Audit Risk Management Committee recommends need for an internal Audit for having regard to the size and complexity of company operation.
- Senior management team will facilitate the periodic review of financial and non-financial system and processes and will report to the committee from time to time.
- The board will review the risk management and internal compliance procedures at each Board meeting and any risks matters for consideration raised by Senior Management Team.

Assurance by Management Team.

Prior to approval of the Company Annual Financial Statement, the board will obtain a declaration from the CEO and Finance Officer that, in their opinion, the financial records to the Company have been properly maintained and that the financial statements comply with appropriate accounting standards. This declaration will confirm that the aforementioned statements give a true and fair view of the financial position and performance of the Company and that observation has been formed on the basis of a sound system of risk management and internal control processes.

Stakeholder engagement

The company, recognizes that effective communication with Partners, Donors, Suppliers and the county government assists the creation and maintenance of informed and strategic decision making and enhances corporate governance by encouraging a culture of transparency in relation to it's

Kakamega County Rural Water and Sanitation Company

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corporate activities. The company will keep all stakeholders fully informed of all material matters affecting the company through service delivery presentation and a range of other forums

Diversity

The work force of the company comprises individuals with diverse skills, background, perspectives and experience and this diversity is valued and respected. The company's Human Resource Manual has meritocracy as a guiding principle and seeks to align the company's management system with its commitment to continue to develop a culture that values and achieves diversity in its work force and on the board. The board and management consider that building a diverse and inclusive work force will provide the best insight into the needs of our customers, suppliers and Donors, Partners and all stakeholders. A diversity of perspectives and backgrounds also strengthens creativity and innovation in teams. Particular focus on achieving a balance of men and women in Senior Executive positions across the company and having a range of water sector experience. The Company's workforce is relatively small. The company will schedule review of all its employees to examine issues concerning remuneration, and benefits, roles, training needs among other pertinent issues.



9. Management Discussion and Analysis

Revenue Collection

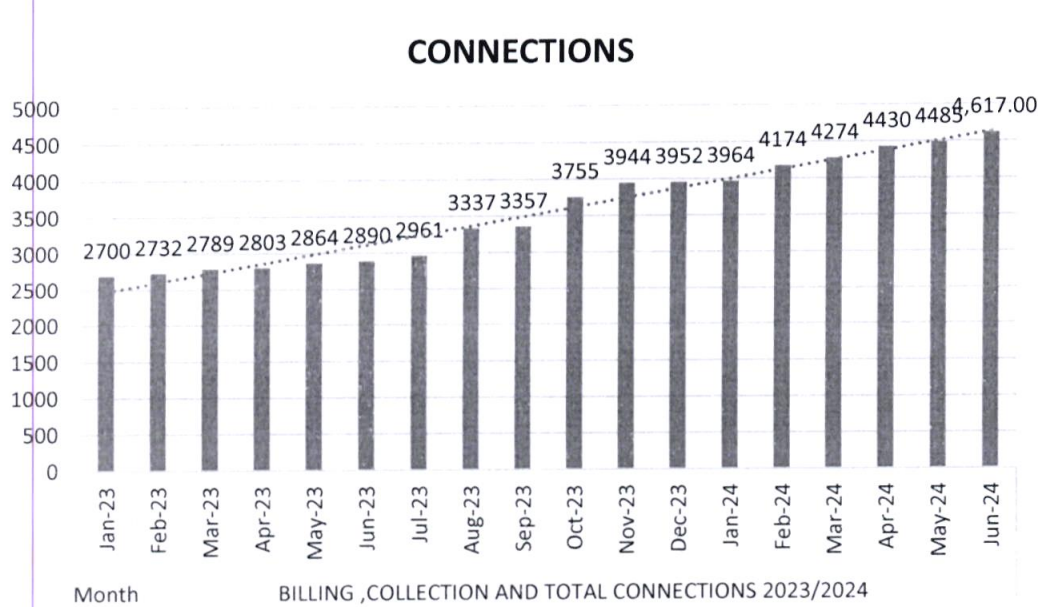
The collection for the year was Ksh.12,424,981 translating to an efficiency of 67%, this is inclusive of collection of outstanding debts from previous periods.

Management has taken measures to improve this by forming a Revenue Management Committee that robustly undertakes Rapid Results Initiatives on revenue collection to ensure availability of sufficient funds for smooth running of operations.

To enhance credit controls and collection measures, Revenue Collection Targets have also been set for all employees, as an inclusive effort to improve on efficiency.

Operational and Financial Performance

The company has realized a growth of 35% in connectivity within the Financial year, this has been realized through acquisition of new schemes and improving connections in current schemes. The consumer growth has greatly contributed to the increase in revenue to Ksh 18,744,720 in comparison to prior years as shown below

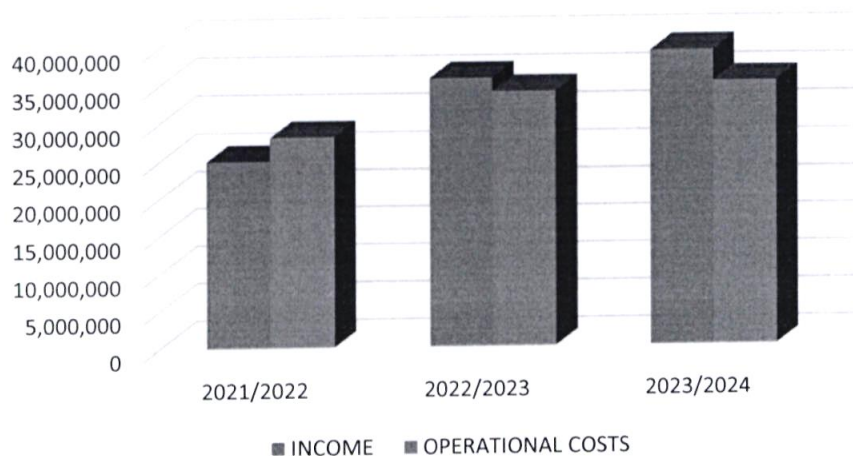


As at the June 30,2024, the total number of connections was 4,617 across all the schemes, this constitutes both metered and unmetered customers. The company aims at attaining the allowable metering standard which requires 100% metering so as to monitor actual consumption of water and reduce commercial losses.

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

TOTAL CONNECTIONS	METERED	UNMETERED
4,712	2,733	1,979

OPERATIONAL EFFICIENCY

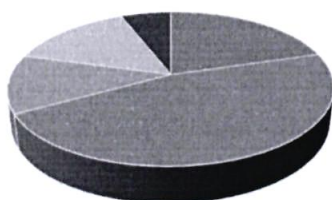


FY	INCOME	OPERATIONAL COSTS	NET PROFIT
2021/2022	24,990,552	28,094,697	-3,104,145
2022/2023	35,738,767	33,947,298	1,791,469
2023/2024	39,244,720	35,099,512	4,145,208

Expenditure Analysis

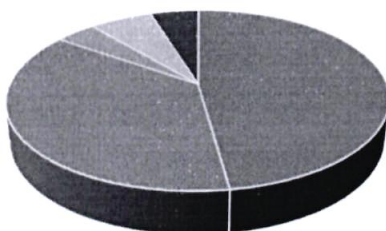
During the year, in a bid to improve on service delivery, maintenance and last mile connectivity was given more emphasis. A notable increase in Operational costs was realized. This is due to increase in coverage and efficiency in management of our schemes. An analysis of the expenditures in comparison to the FY 2022/2023 is provided below.

FY 2023/2024



- Staff Costs
- General and Operations expenses
- Board Expenses
- Maintenance Expenses
- Depreciation expenses

FY 2022/2023



- Staff Costs
- General and Operations expenses
- Board Expenses
- Maintenance Expenses
- Depreciation expenses

Kakamega County Rural Water and Sanitation Company
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Monitoring and Evaluation

Non- Revenue Water

The Non-Revenue Water level as at the end of the Financial year was at 34%. The company aims at establishing KPIs to monitor NRW levels.

The company's strategy to reduce Non-Revenue Water includes:

Assess and Analyze NRW

Perform a detailed assessment of NRW to identify its sources. This includes evaluating physical losses (leaks and bursts) and administrative losses (billing errors, unregistered connections). Use data from water meters, billing systems, and distribution networks to understand patterns and pinpoint problem areas.

Upgrade Infrastructure

Replace old, corroded, or poorly maintained pipes and fittings that are prone to leaks and bursts. Implement pressure management systems to reduce the likelihood of pipe bursts and leaks due to high pressure.

Improve Metering and Billing Systems

Deploy smart meters that provide real-time data on water usage and help detect anomalies or unauthorized usage. Ensure accurate readings by regularly calibrating and maintaining meters. Improve administrative processes to minimize errors in billing and address issues like unbilled consumption and unregistered connections.

Enhance Leak Detection and Maintenance

Utilize technologies like Geographic Information Systems (GIS) and Automated Meter Reading (AMR) to enhance leak detection and maintenance. Develop a routine maintenance schedule to regularly inspect and repair infrastructure, minimizing the risk of sudden failures.

Address Illegal Connections and Theft

Use technologies and strategies to detect and prevent illegal connections and water theft. Conduct frequent inspections of distribution networks to identify and rectify unauthorized connections.

Optimize Water distribution Network

Use network modeling tools to analyze and optimize water distribution networks, improving efficiency and reducing losses. Adjust water network configurations to balance pressure and flow, minimizing leaks and optimizing performance.

Engage and Educate Stakeholders

Educate customers on the importance of water conservation and reporting leaks or irregularities. Encourage community involvement in monitoring and reporting issues related to water distribution.

Implement and Monitor KPIs

Establish KPIs to monitor NRW levels, including metrics like the percentage of NRW, the volume of leaks, and the efficiency of repair activities. Track and report progress regularly to ensure that NRW reduction efforts are effective and adjust strategies as needed.

Leverage Data and Analytics

Use data analytics to make informed decisions about where to focus efforts and resources for NRW reduction. Apply predictive analytics to anticipate potential issues and address them before they lead to significant NRW.

Information Communication Technology

A billing system was acquired so as to improve on efficiency in billing. This automated the billing distribution process where customers get bills via mobile SMS. The system was also integrated with the payment platforms to be able to automatically credit customers account upon payment and send back a confirmation message.

This has greatly complemented revenue collection initiatives. An automated system helps to reduce errors and other human related inefficiencies which are brought about through manual billing.

Strategic and Business Plans

The company successfully following a strategic plan for the period 2022-2026 and business plan which is giving a roadmap and guiding the company to achieve its short- and long-term goals.

Risk Management

Internal audits play a critical role in identifying inefficiencies, non-compliance, and risks in the company. Their absence increases the potential for financial mismanagement, operational inefficiencies, regulatory violations, and reputational damage, which can ultimately undermine the company's ability to provide reliable and sustainable water services.

To mitigate these risks the company has been able to conduct four quarterly internal audits in a bid to ensure controls are in place and compliance is adhered to. This has enhanced financial controls, improved operational efficiency contributing to the company's ability to deliver reliable, high-quality services, reduce costs, and maintain stakeholder trust.

10. Environmental And Sustainability Reporting

Kakamega County Rural Water and Sanitation Company recognize its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. We ours remain firmly committed to courses that positively impact our society and influence sustainability of our business. In the coming years, we wish to grant our support through CSR activities e.g. supporting the less fortunate and vulnerable members of society and tree planting.

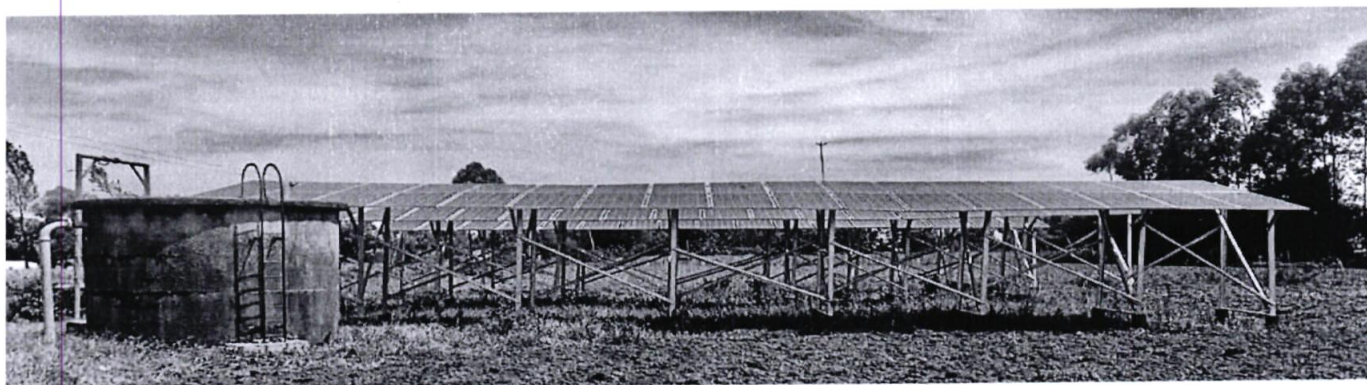
Tree Planting

The management supported a number of environmental conservation activities including but not limited to Tree planting in all our service coverage areas including Lumino Dam and Lugari forest during the tree planting day.



iii. Solarization of treatment plants

The company is focusing on integrating renewable energy (solar-powered pumps) into our operations, reducing our carbon footprint, and ensuring long-term sustainability. Currently 27 of the water projects within the company's area of operation are solarized in a bid to embrace environment friendly and cost-efficient operations. In the next Financial Year plans are underway to Solarize Lumino and Lwakhupa Water Projects.



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In an effort to embrace a paperless work environment, the company has automated its, billing distribution system where by customers receive bills on their mobile phones as SMSs compared to previously where they were printed.

Employee welfare

- (1) Kakamega County Rural Water and Sanitation Company has an approved Human Resource Policy and Procedure Manual which provides an equal opportunity to everyone during recruitment and does not discriminate on the basis of gender, age, race, and ethnicity or entertain any form of discrimination. In terms of gender, the Company is yet to achieve the 2/3 rule but it's working towards achieving the same.
- (2) The Company attracts and recruit candidates qualified in terms of academic, professional qualification and who have the required experience or who can be trained for effective work performance to achieve set objectives.
- (3) All appointments are made with the approval of the Board and within the approved staff establishment. This allows for stakeholder engagement since there is representation from the County Government of Kakamega within the Board.
- (4) Appointments in all cases are made in accordance with the existing job descriptions and specifications for various cadres of staff in respective fields of employment.
- (5) During advertisement, all vacant posts are and will be advertised in a manner that reaches the widest pool of potential applicants and allow for at least fifteen (15) calendar days before closing the advert.

The company has a policy on Training and Development which helps in improving skills and managing careers. Skill gap analysis is conducted and relevant trainings both formal and informal, for instance, in-house coaching and mentoring are organized and undertaken by staff. Formal trainings are subject to budgetary provision, and taking cognisance of the specific technical and general needs of each department.

USAID -Western Kenya Water Project has helped facilitate a number of formal trainings. The company also trains an average of forty (40) students per quarter on attachment.

Performance Appraisals are undertaken periodically.

Kakamega County Rural Water and Sanitation Company
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The Company's Policy on Occupational Health and Safety recognizes and commit itself to the achievement of the highest standards of health, security and safety in the workplace and elimination or minimization of health and safety hazards and risks that may affect the employees.

Market Place practices

a) Responsible competition practice;

- Competitive bidding through open tendering and request for quotations. Request for quotation allows at least 3 companies to submit it's bids which encourages competition.

b) Responsible supply chain and supplier relation;

- By maintaining a list of registered and prequalified suppliers and by continues update on it. This is done by publishing an invitation notice to candidates to submit applications to be pre-qualified.
- By purchasing, receiving and paying of goods, services and works on time.
- By measuring and analysing supplier's performance to ensure best service for the company
- By engaging partners as suppliers and create good and transparent relationship with them.eg USAID.

c) Responsible marketing and advertisement;

- Transparency- KACRUWASCO ensures transparency to supplier sand it's customers by ensuring good and timely communication.
- Openness – Creation of awareness of daily operations of the company.

d) Product stewardship;

- Through minimising the product's environmental impact through all stages of product lifecycle, including end of all life management of the products acquired by the company. E.g disposal of empty tins for chemicals storage.

Kakamega County Rural Water and Sanitation Company
Annual Report and Financial Statements for the year ended June 30, 2024

11. Report Of the Directors

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

i) Principal activities

The principal activities of the Company are as follows

- Provision of water and sanitation / sewerage services within Kakamega rural.
- Operations and maintenance of water and sanitation facilities
- Planning, design and development of water and sewerage infrastructure
- Managing commercial operations (meter reading, billing, revenue collection, handling customer relations, efficient utilization of revenues)
- Extending water distribution and sewer network, or sanitation services to increase coverage
- Sourcing, treatment, storage, transmission and distribution of water
- Collection, treatment and safe disposal of wastewater to regulatory standards
- Conservation of water

ii) Results

The results of the company for the year ended June 30, 2024 are set out on page 1 to 7. Below is summary of the profit or loss made during the year.

Total Income	39,244,720
Total Expenses	35,549,909
Profit	3,694,811

iii) Dividends

The company has not declared dividends for the year ended.

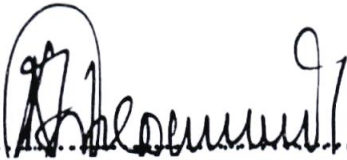
iv) Directors

The members of the Board of Directors who served during the year are shown on page vii to x. In accordance with Regulation of the company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act to carry out the audit of the Company for the year ended June 30, 2024.

By Order of the Board



.....
Name DR Joseph Ongoma Aswani
Secretary to the Board
Date: 29/11/2024



12. Statement Of Directors' Responsibilities

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

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

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

Kakamega County Rural Water and Sanitation Company
Annual Report and Financial Statements for the year ended June 30, 2024

Statement Of Directors' Responsibilities (Continued)

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

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

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

Approval of the financial statements

The company financial statements were approved by the Board on **29/11/2024** and signed on its behalf by:



.....

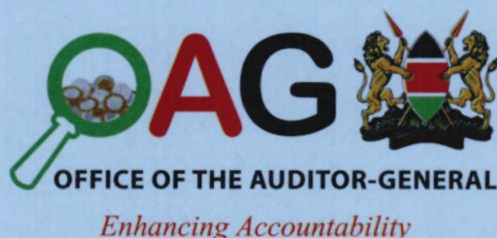
Name: Hon. Silverse Lisamula Anami
Chairperson of the Board



.....
Name: Dr. Joseph Ongoma Aswani
Managing Director

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY RURAL WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Rural Water and Sanitation Company Limited set out on pages 1 to 58, which comprise of the statement of financial position as at 30 June, 2024 and the statement of profit or loss and

Report of the Auditor-General on Kakamega County Rural Water and Sanitation Company Limited for the year ended 30 June, 2024

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Rural Water and Sanitation Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Revaluation Reserve and Prior Year Adjustments

The statement of financial position reflects retained earnings balance of Kshs.5,486,281 and as disclosed in the statement of changes in equity which indicates an increase in retained earnings by prior year adjustments amounting to Kshs.3,104,145. However, the composition and supporting documents for the adjustments were not provided for audit.

In the circumstances, the accuracy and completeness of retained earnings balance of Kshs.5,486,281 could not be confirmed.

2. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.5,382,435 and as disclosed in Note 20 to the financial statements. However, the assets include two (2) motor vehicles and twelve (12) motor cycles donated by County Government of Kakamega whose log books were not provided for audit. Further, the disclosure reflects a Nil balance for land including land on which the company and its twenty-eight (28) water schemes are located. In addition, the title deeds for the parcels of land were not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.5,382,435 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.52,760,000 and Kshs.39,244,720 respectively, resulting in an under-collection of Kshs.13,515,280 or 26% of the budget. However, the company incurred expenditure of Kshs.43,917,083 against actual revenue of Kshs.39,244,720 resulting in an over-expenditure of Kshs.4,672,363 or 12% of the actual receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the previous year's report, several issues were raised under Report on the financial statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risks Management and Governance. The Management has indicated under the progress on follow up of auditor's recommendations section of the financial statements that the issues were resolved. However, no documents were provided for audit to confirm how the issues were resolved.

Other Information

The Management is responsible for the other information set out on page iv to xlv which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Directors, and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water Management

1.1 Excess Non-Revenue Water

Review of the water records revealed that during the year under review, the Company produced 419,858 cubic meters of water, out of which 277,012 cubic meters of water priced at Kshs.18,744,720 was billed to customers, resulting to 142,846 cubic meters of water valued at Kshs.9,666,001 or 34% of total volume of water produced representing non-revenue water. The loss of 34% of water was above the 25% threshold allowed by the Water Service Regulatory Board (WASREB). However, no explanation was provided for the excess non- revenue water beyond the 25 percent allowable limit.

In the circumstances, the Company may not achieve its objective of providing sufficient water to the residents of the County and realize an increase in production losses.

1.2 Lack of Established Non-Revenue Water (NRW) Management Function

During the year under review, the Company did not have a Non-Revenue Water (NRW) management function. This was contrary to the Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022.

In the circumstances, the measures for mitigating water losses in the Company's water schemes, the budgetary allocation for non-revenue water reduction plans including prioritization of activities, implementation schedules and plans, cost estimates and responsible parties put in place could not be ascertained.

2. Unremitted Tax from Board Allowances and Honoraria

The statement of profit or loss and other comprehensive income reflects Board expenses amount of Kshs.4,561,982 as disclosed in Note 13 to the financial statements which includes Pay-As-You-Earn (PAYE) taxes deducted from Boards members amount of Kshs.395,400. However, the amount was not remitted to Kenya Revenue Authority as at 30 June, 2024. This was contrary to Income tax guideline that require deducted tax to be remitted to KRA on or before the 9th day of the following month.

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

3. Failure to Maintain an Updated Fixed Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.5,382,435 and as disclosed in Note 20 to the financial statements. However, the assets register maintained by the Company does not contain key information including dates of acquisition, suppliers' names, cost, location, depreciation amounts, accumulated depreciation and net book values. This was contrary to Regulation 136(1) of the Public Finance Management County Government Regulations, 2015 which requires that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy and Framework

During the year under review, the Company Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was not clear how Management manages risk exposures. This contrary was to 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 existence of effective risk management measures could not be confirmed.

2. Lack of Scheme of Service

During the year under review, the Company did not have an approved scheme of service detailing job grading structure, job descriptions and appointment specifications, standards for recruitment, training, advancement, career planning and succession management across the various cadres as established.

In the circumstances, the effectiveness of the internal controls on staff 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 to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. Information given in the directors' report on pages xli is consistent with the financial statements; and
- iii. The auditable part of the directors' remuneration report on page 29 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Management and Board of Directors

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

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

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

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

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

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Kakamega County Rural Water and Sanitation Company
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Note	FY 2023-2024 Kshs	FY 2022-2023 Kshs
Revenue			
Operating Revenue	6	18,744,720	13,029,033
Grants Income	7	20,500,000	19,961,015
Other Income	8	0	2,748,719
Finance income	9	0	0
Other gains/(losses)	10	0	0
Total Revenue		39,244,720	35,738,767
Expenses			
Staff Costs	11	7,232,864	16,223,924
General and Operations expenses	12	16,615,663	12,604,535
Board Expenses	13	4,561,982	1,370,150
Maintenance Expenses	14	5,069,390	2,114,298
Depreciation and Amortization expenses	15	2,070,010	1,634,390
Finance Costs	16	0	0
Total Expenses		35,549,909	33,947,297
Profit/(Loss) Before Taxation		3,694,811	1,791,470
Income Tax Expense/(Credit)	17	0	0
Profit/(Loss) After Taxation		3,694,811	1,791,470
Other Comprehensive Income			
Profit/ (Loss) After Taxation		3,694,811	1,791,470
Surplus Or Deficit on Revaluation Of PPE		0	0
Total Comprehensive Income for The Year		3,694,811	1,791,470



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15. Statement Of Financial Position As at 30 June 2024

	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	20	5,382,435	3,961,139
Intangible assets	22	1,160,223	1,200,795
Total non-current assets		6,542,658	5,161,934
Current assets			
Inventories		0	0
Trade and receivable	23	13,181,279	6,861,540
Bank and cash balances	24	40,062	2,911,697
Total current assets		13,221,341	9,773,237
Total Assets		19,763,999	14,935,171
Equity and liabilities			
Capital and Reserves			
Ordinary share capital		0	0
Revaluation reserve	26	4,597,346	4,597,346
Revenue Reserve			
Fair value adjustment reserve		0	0
Accumulated Fund		633,142	633,142.
Retained earnings		5,486,281	1,791,470
Capital and Reserves		10,716,769	7,021,958
Non-current liabilities			
Deferred tax liability		0	0
Total non-current liabilities		0	0
Current liabilities			
Borrowings		0	0
Retirement benefit obligations		0	0
Trade and other payables	29	8,387,230	7,913,213
Refundable deposits and Prepayments	30	660,000	

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Total current Liabilities		9,047,230	7,913,213
Total Equity and Liabilities		19,763,999	14,935,170

The financial statements were approved by the Board on ____29/11/ 2024 and signed on its behalf by:



Name:Dr. Joseph Aswani

Managing Director



Name: Stacy Nekoy

Head of Finance

ICPAK M/No:29469



**Name: Hon. Silverse Anami
Lisamula**

Chairman of the Board

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

	Note	Ordinary share capital	accumulated fund	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2022		0	0	0	0	(3,104,145)	0	0	(3,104,145)
New capital issued		0	0						0
Revaluation gain		0	0	0	0	0	0	0	0
accumulated fund		0	633,142	4,597,346		0	0	0	5,230,488
Transfer of excess depreciation on revaluation		0	0	0	0	0	0	0	0
Deferred tax on excess depreciation		0	0	0	0	0	0	0	0
Fair value adjustment on quoted investments		0	0	0	0	0	0	0	0
Profit for the year		0	0	0	0	1,791,470	0	0	1,791,470
Capital/Development grants received during the year		0	0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		0	0	0	0	0	0	0	0
Dividends paid – prior year		0	0	0	0	0	0	0	0
Interim dividends paid – current year		0	0	0	0	0	0	0	0
Proposed final dividends		0	0	0	0	0	0	0	0
As at June 30, 2023		0	633,142	4,597,346	0	(1,312,675)	0	0	3,917,813
As at July 1, 2023		0	633,142	4,597,346	0	(1,312,675)	0	0	3,917,813
Issue of new share capital		0	0	0	0	0	0	0	0
Revaluation gain		0	0	0	0	0	0	0	0

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Transfer of excess depreciation on revaluation		0	0	0	0	0	0	0	0
Deferred tax on excess depreciation		0	0	0	0	0	0	0	0
Fair value adjustment on quoted investments		0	0	0	0	0	0	0	0
Profit for the year		0	0	0	0	3,694,811	0	0	3,694,811
Prior Year Adjustment		0	0	0	0	3,104,145	0	0	3,104,145
Capital/Development grants received during the year		0	0	0	0	0	0	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		0	0	0	0	0	0	0	0
Dividends paid – prior year		0	0	0	0	0	0	0	0
Interim dividends paid – current year		0	0	0	0	0	0	0	0
Proposed final dividends		0	0	0	0	0	0	0	0
At June 30, 2024		0	633,142	4,597,346	0	5,486,281	0	0	10,716,769

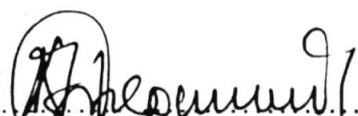
Kakamega County Rural Water and Sanitation Company
Annual Report and Financial Statements for the year ended June 30, 2024

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

	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	6b	10,179,908	6,167,494
Grants Income	7	20,500,000	19,961,015
Finance Income		0	0
Other Income		0	2,748,719
revenue receipts in Customer Deposits	6b	2,245,073	307,500
Total Receipts		32,924,981	29,184,728
Payments			
Staff Costs	11	7,232,864	16,223,924
General And Operation Expenses	12b	12,464,336	10,287,047
Board Expenses	13b	4,166,582	1,370,150
Maintenance Expenses	14b	3,918,160	1,917,548
Finance Costs		0	
Refund Of Customer Deposits		0	0
Total Payments		27,781,942	29,798,669
Net Cash From/ (Used In) Operating Activities		5,143,039	(613,941)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	21b	(7,596,190)	(64,700)
Proceeds From Disposal Of PPE		0	0
Purchase Of Intangible Assets	22b	(770,984)	(1,007,008)
Net Cash From/ (Used In) Investing Activities		(8,367,174)	(1,071,708)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		0	0
Proceeds From Borrowings	30	352,500	0

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Repayment Of Borrowings		0	0
Dividends Paid		0	0
Net Cash From/(Used In) Financing Activities		352,500	0
Increase/(Decrease) In Cash and Cash Equivalents		(2,871,635)	(1,685,649)
Cash And Cash Equivalents At Beginning Of Year	25	2,911,697	4,597,346
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End of the Year	25	40,062	2,911,697



Name: Dr. Joseph Aswani

Managing Director



Name: Stacy Nekoy

Head of Finance

ICPAK M/No:29469



Name: Hon. Silverse Anami

Lisamula

Chairman of the Board

Kakamega County Rural Water and Sanitation Company
Annual Report and Financial Statements for the year ended June 30, 2024

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	27,760,000	0	27,760,000	18,744,720	9,015,280	68%
Non-Operating Revenue	0	0	0	0	0	
Grants	50,000,000	(30,000,000)	20,000,000	20,500,000	(500,000)	103%
Finance Income	0	0	0	0	0	
Development Patners	5,000,000	0	5,000,000	0	5,000,000	0%
	0	0	0	0	0	
Total Revenue	82,760,000	(30,000,000)	52,760,000	39,244,720	13,515,280	74%
Expenses						
Staff Costs	26,525,440	(9,525,440)	17,000,000	7,232,864	9,767,136	43%
Board Expenses	4,763,000	0	4,763,000	4,561,982	201,018	96%
General and operations Expenses	25,940,000	(10,054,220)	15,885,780	16,615,663	(729,883)	105%
Maintenance	28,600,000	(12,025,00)	16,575,000	5,069,390	11,505,610	31%
Depreciation	0	-	0	2,070,010	(2,070,010)	0%
Total Recurrent Expenditure	85,828,440	(31,604,660)	54,223,780	35,549,909	18,673,871	66%
Profit or Loss	0	-	0	3,694,811	0	
					0	
Capital Expenditure	22,600,000	(7,700,000)	14,900,000	8,367,174	6,532,826	56%
					0	
					0	
Total Expenditure	108,428,440	(39,304,660)	69,123,780	43,917,083	25,206,697	64%

Notes

The underutilization of 64% was attributed to the company's inability to generate adequate Own Source Revenue, this is due to failure by the National Treasury to disburse all equitable share to the County, which in turn made the County treasury unable to transfer all the funds allocated to the company. This led to adjustments on the original budget as seen above.

19. Notes To the Financial Statements

1. General Information

Kakamega County Rural Water and Sanitation Company Ltd is established by and derives its authority and accountability from Company Act (486). The Company is wholly owned by the Kakamega County Government and is domiciled in Kenya. The Company's principal activity is provision of water and sanitation services within the rural areas in Kakamega County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

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

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Notes to the financial statements (continued)

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

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

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

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

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

iii. *Early adoption of standards*

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Buildings and civil works	50	2%
Infrastructure works	10	10%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

o) Deferred tax

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

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

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

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

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The company did not contribute to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. This is because the company did not have full time employees during the Financial Year.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on KACRUWASCO. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement

to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented in these financial statements.

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Management did not raise any provisions during the preparation of these financial statements.

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

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Notes to the financial statements (continues)

6. Operating Revenue

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Water sales	18,744,720	13,029,033
Sewerage Services	0	0
Billing for other services	0	0
Total	18,744,720	13,029,033

6.b

Operating Revenue Cash flow Reconciliation	
SOCI figure	18,744,720
Credit Sales for FY 2023/2024	(6,319,739)
Revenue Receipts in Customer deposits	(2,245,073)
Cash Flow Statement Figure	10,179,908

7. Grants Income

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Transfer from the County Government of Kakamega	20,500,000	19,961,015
Recurrent/operational grants from other agencies	0	0
Total	20,500,000	19,961,015

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	FY 2023/2024 KShs
CGK - Ministry of Water	20,500,000	0	0	20,500,000	20,500,000

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Ministry	0	0	0	0	0
Total	20,500,000	0	0	20,500,000	20,500,000

Notes to the financial statements (continued)

8. Other Income

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Transfer from KACWASCO	0	2,748,719
Total	0	2,748,719

9. Other Gains and Losses

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
Description	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Gain on sale of fixed assets	0	0
Fair value gain/loss on biological Assets	0/ (0)	0 /(0)
Fair value gain or losses on revaluation of investment property	0	0
Revaluation losses on inventory	0	0
Unrealized foreign exchange gains/(losses)	0	0
Total	0	0

10. Other Gains and Losses

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
Description	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Gain on sale of fixed assets	0	0
Fair value gain/loss on biological Assets	0/ (0)	0 /(0)
Fair value gain or losses on revaluation of investment property	0	0
Revaluation losses on inventory	0	0
Unrealized foreign exchange gains/(losses)	0	0
Total	0	0

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11. Staff Costs

Description	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Gross Salary and Allowances and wages	7,232,864	16,223,924
Total	7,232,864	16,223,924
The average number of employees during the year	50	

[During the FY 2022/2023 Employees were seconded from the Sister Company KACRUWASCO but were recalled in the FY 2023/2024 hence the material variance in Staff costs]

12. General and Operations Expenses

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Chemicals	850,000	0
Electricity	2,679,268	1,690,859
Fuel, oil, lubricants, and gases	1,239,950	60,902
Bulk water Costs	2,030,015	1,078,655
Office supplies	282,700	344,217
Uniform and protective clothing	-	69,600
Telecommunication	247,350	131,999
Printing and Stationary	654,150	0
Water and sewerage	-	0
Insurance	395,010	193,000
Rent and Rates	-	18,000
Domestic Traveling and subsistence	3,043,650	4,676,792
Foreign travel and accommodation	-	0
Staff training and development	182,200	23,100
Bank Charges	130,973	57,414
Security services	3,777,531	791,733
Agency commissions	-	0
Publicity and advertising	126,660	772,825
Consultancy fees	68,000	0
Licensing and levies	408,296	109,360
Sports and recreation, Entertainment	55,000	0
Stakeholders' expenses	20,800	2,014,000
Donations/CSR	50,100	
Hospitality expenses	358,310	247,080
Subscription to professional bodies	15,700	0
Development of Water	-	325,000
Total	16,615,663	12,604,536.00

12.b

General Operation Expenses Cash flow Reconciliation	
SOCI figure	16,615,663
Creditors FY 2023/2024	(4,344,327)
Creditors FY 2022/2023	193,000
Cash Flow Statement Figure	12,464,335

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Notes to the financial statements (continued)

13. Board Expenses

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
Chairman Honoraria	491,733	660,000
Sitting allowances	2,099,000	375,650
Medical Insurance	-	-
Induction and Training	130,000	-
Travel and accommodation	1,841,249	334,500
Other allowances	-	-
Total Board Expenses	4,561,982	1,370,150

13.b

Board Expenses Cash flow Reconciliation	
SOCI figure	4,561,982
Creditors FY 2023/2024	(395,400)
Creditors FY 2022/2023	-
Cash Flow Statement Figure	4,166,582

14. Maintenance Expenses

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Plant and Equipment	4,630,699	1,350,430
Buildings	-	280,738
Motor vehicles	438,691	100,780
Software-electrical materials	-	196,750
ICT (Information Communication Technology)	-	151,600
Water Meter maintenance costs	-	34,000
Total Maintenance Expenses	5,069,390	2,114,298

14.b

Maintenance Expenses Cash Flow Reconciliation	
SOCI figure	5,069,390
Creditors FY 2023/2024	(1,151,230)
Creditors FY 2022/2023	-
Cash Flow Statement Figure	3,918,160

15. Depreciation and Amortization Expenses

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
Property, plant, and equipment	1,704,904	1,334,190
Right of Use Assets	-	-
Intangible assets	365,106	300,199
Investment property carried at cost	-	-
Total Depreciation and Amortization	2,070,010	1,634,389

16. Finance costs

	FY 2023-2024	FY 2022-2023
Description	Kshs	Kshs
Interest expense on loans	0	0
Interest expense on bank overdrafts	0	0
Interest on lease liabilities	0	0
Others (specify)	0	0
Total	0	0

17. Income Tax Expense/(Credit)

Current taxation

	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	0	0
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
Total	0	0

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

	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Profit before taxation	0	0
Tax at the applicable tax rate of 30%	0	0

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Current tax	0	0
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	0	0
Tax effects of income not taxable	0	0
Tax effects of excess capital allowances over depreciation/amortization	0	0
Deferred tax prior year over-provision	0	0
Total	0	0

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2024.

Notes to the financial statements (continued)

20. Property, Plant and Equipment

FY 2023-2024	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2022	-	-	-	-	-	257,093	173,513	-	430,606
Additions	-	-	-	-	4,800,000	-	64,700	-	4,864,700
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2023	-	-	-	-	4,800,000	257,093	238,237	-	5,295,306
Depreciation									
At July 1, 2022		-	-	-	-	15,107	3,692		18,799
Charge For the Year		-	-	-	1,200,000	85,612	29,780		1,315,392
Impairment Loss		-	-	-	-	-	-		-
Disposal		-	-	-	-	-	-		-
At June 30, 2023	-	-	-	-	1,200,000	100,719	33,472	-	1,334,191
Net Book Value At June 30, 2023	-	-	-	-	3,600,000	156,374	204,765	-	3,961,139
Cost or valuation									
As at 1 July 2024	-	-	-	-	4,800,000	257,093	238,237	-	5,295,330

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Additions	-	-	2,796,190	-	-	330,010	-	-	3,126,200
Transfers	-	-		-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2024	-	-	2,796,190	-	4,800,000	587,103	238,237	-	8,421,530
Depreciation									
At July 1, 2024		-	-	-	1,200,000	100,719	33,472	-	1,334,191
Charge for the year		-	279,619	-	1,200,000	195,505	29,783	-	1,704,907
Impairment loss		-	-	-	-	-	-	-	-
disposal		-	-	-	-	-	-	-	-
As at 30th June 2024		-	279,619	-	2,400,000	296,224	63,254	-	3,039,098
Net book value									
At June 30, 2024	-	-	2,516,571	-	2,400,000	290,879	174,982	-	5,382,435

Notes to the financial statements (continued)

21. Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0	0	0
Buildings	0	0	0
Water infrastructure	2,796,190	279,619	2,516,571
Motor vehicles, including motorcycles	4,800,000	2,400,000	2,400,000
Computers and related equipment	587,103	296,224	290,879
Office equipment, furniture, and fittings	238,237	63,254	174,982
	8,421,530	3,039,098	5,382,435

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0	0
Motor vehicles, including motorcycles	0	0
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
Total	0	0

21.b

Property Plant and Equipment Cash flow Reconciliation	
SFP figure	3,126,200
Creditors FY 2023/2024	(330,010)
Creditors FY 2022/2023	4,800,000
Cash Flow Statement Figure	7,596,190

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Notes to the financial statements (continued)

22. Intangible Assets

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Cost		
At July 1,2023	1,500,994	202,536.00
Additions	324,534	1,298,458.00
Disposals	-	-
At June 30,2024	1,825,528	1,500,994.00
Amortization		
At July 1,2023	300,199	-
Charge for the year	365,105	300,199.00
Disposals	-	-
Impairment loss	-	-
At June 30,2024	665,304	300,199.00
Net book value As At June 30,2024	1,160,223	1,200,795.00

22.b

Intangible Assets Cash flow Reconciliation

SFP figure	325,534
Creditors FY 2023/2024	(170,000)
Creditors FY 2022/2023	615,450
Cash Flow Statement Figure	770,984

23. Trade and Other Receivables

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	KShs	KShs
Trade receivables (note (29a))	13,181,279	6,861,540
Deposits and prepayments	-	
VAT (Value Added Tax) recoverable	-	
Staff receivables (note 29 (c))	-	
Other receivables	-	
Gross trade and other receivables	13,181,279	6,861,540
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	13,181,279	6,861,540

(a) Trade Receivables

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Gross trade receivables	13,181,279	6,861,540
Provision for doubtful receivables	(0)	(0)
Net trade receivables	13,181,279	6,861,540
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	112,280	1,443,255
Between 30 and 60 days	1,050,768	2,551,449
Between 61 and 90 days	1,253,765	2,015,591
Between 91 and 120 days	759,234	536,970
Over 120 days	10,005,232	314,275
Total	13,181,279	6,861,540

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Notes to the financial statements (continued)

24. Bank and Cash Balances

	<i>FY 2023-2024</i>	<i>FY 2022-2023</i>
	Kshs	Kshs
Cash at bank	40,062	2,911,697
Cash in hand	0	0
Mobile money account	0	0
	40,062	2,911,697

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	FY 2023-2024 KShs	FY 2022-2023 KShs
a) Current account			
KCB- Expenditure Account	1251924549	7,188.50	1,149,339
KCB- Revenue Account	1251924468	32,147.50	681,268
KCB- Deposit Account	1251924336	726.25	1,081,091
Sub- total		40,062.25	2,911,697
b) On – call deposits			
Commercial banks		0	0
Others		0	0
Sub- total		0	0
c) Fixed deposits account			
Other Commercial banks		0	0
Others		0	0
Sub- total		0	0
Sub- total		0	0
d) Others(specify)		0	0
Cash in transit		0	0
Cash in hand		0	0
Mobile money account		0	0
Sub- total		0	0
Grand total		0	2,911,697

25. Ordinary Share Capital

	FY 2023-2024 Kshs	FY 2022-2023 Kshs
Authorized:		
100 Ordinary shares of Ksh.1,000 par value each	0	100,000
Issued and fully paid:		
0 ordinary shares of Kshs. par value each	0	0

Notes to the financial statements (continued)

26.Revaluation Reserve

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

26. Fair Value Adjustment Reserve

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

27. Retained Earnings

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

28. Borrowings

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Repayments of during the year	(0)	(0)
Balance at end of the year	0	0
b) Domestic Borrowings		
Balance at beginning of the year	0	0
Domestic borrowings during the year	0	0
Repayments during the year	(0)	(0)
Balance at end of the year	0	0
C) Total Balance at end of the period c = a+b	0	0

29. Trade and Other Payables

	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Trade payables	8,387,230	7,605,713
Accrued expenses	0	307,500
Employee payables	0	0
Other payables	0	0
Total	8,387,230	7,913,213

Aging Analysis for Trade and other Payables

	FY 2023-2024	% of the total	FY 2022-2023	% of the total
Under one year	8,387,230	100%	7,913,213	100%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	8,387,230		7,913,213	

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30. Refundable Deposits and Prepayments

	FY 2023-2024 Kshs	FY 2022-2023 Kshs
Customer deposits	352,500	307,500
Prepayments by customers	0	0
Retention	307,500	0
Others (Specify)	0	0
Total	660,000	307,500

Aging Analysis for Refundable Deposits and Prepayments

	FY 2023-2024	% of the total	FY 2022-2023	% of the total
Under one year	352,500	53%	307,500	100%
1-2 years	307,500	47%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	660,000		307,500	

31. Notes to The Statement of Cash Flows

	FY 2023-2024 Kshs	FY 2022-2023 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	0	0
Depreciation	0	0
Amortization	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	0	0
Working capital changes:		
(Increase)/decrease in inventories	0	0
(Increase)/decrease in trade and other receivables	0	0
Increase/(decrease) in trade and other payables	0	0
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0

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	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Cash generated from/ (used in) operation	0	0
(b) Analysis of changes in loans		
Balance at beginning of the year	0	0
Receipts during the year	0	0
Repayments during the year	(0)	(0)
Repayments of previous year's accrued interest	(0)	(0)
Foreign exchange (gains)/losses	0	(0)
Accrued interest	0	0
Balance at end of the year	0	0
(c) Analysis of cash and cash equivalents		
Short term deposits	0	0
Cash at bank	0	0
Cash in hand	(0)	(0)
Balance at end of the year	0	0
(d) Analysis of interest paid		
Interest on loans	0	0
Interest on bank overdraft	0	0
Interest on lease liabilities	0	0
Interest on loans capitalised	0	0
Balance at beginning of the year	0	0
Balance at end of the year (note 35(b))	(0)	(0)
Interest paid	0	0
(e) Analysis of dividend paid		
Balance at beginning of the year	0	0
2024 dividends paid	0	0
2024 dividends paid	0	0
2024 interim dividends paid	0	0
Balance at end of the year	(0)	(0)
Dividend paid	0	0

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Notes to the financial statements (continued)

Other Disclosures

32. Related Party Disclosures

County Government of 0 Kakamega

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

Other related parties include:

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

Transactions with related parties

	FY 2023- 2024 Kshs	FY 2022- 2023 Kshs
a) Sales to related parties		
Rent Income from govt. agencies	0	0
Water sales to Govt. agencies	0	0
Interest income from Govt Commercial Banks	0	0
Interest income from T-bills and Bonds	0	0
Others (Specify)	0	0
Total	0	0
b) Purchases from related parties		
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	0	0

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	FY 2023- 2024	FY 2022- 2023
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	0	0
Interest expense to investments by other govt. entities	0	0
Others (specify)	0	0
Total	0	0
b) Grants from the Government		
Grants from National Govt Agencies	0	0
Grants from County Government	20,500,000	19,961,015
Donations in kind	0	0
Total	20,500,000	19,961,015
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services	0	0
Total	0	0
d) Key management compensation		
Directors' emoluments	0	0
Compensation to key management	0	0
Total	0	0

33. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	FY 2023- 2024	FY 2022- 2023
	Kshs	Kshs
Amounts authorised and contracted for	0	0
Amounts authorized but not contracted for	0	0
Less: Amounts included in Work in progress	(0)	(0)
	0	0

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34. Contingent Assets and Liabilities

Contingent Assets

	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

Contingent Liabilities

	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Contingent liabilities	0	0
Court case against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	0	0
Others (Specify)	0	0
Total	0	0

35. Financial Risk Management

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

Notes to the financial statements (continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2024				
Trade Receivables	13,181,278	13,181,278	0	0
Other Receivables				
Investments	0	0	0	0
Bank balances	40,062	40,062	0	0
Total	13,221,340	13,221,340	0	0
At 30 June 2023				
Receivables	6,861,540	6,861,540	0	0
Other Receivables	0	0	0	0
Investments	0	0	0	0
			0	0
Bank balances	2,911,697	2,911,697	0	0
Total	9,773,237	9,773,237	0	0

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Credit Risk (Continued)

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

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June current year				
Trade payables	611,671	3,528,148	4,247,409	8,387,230
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	611,671	3,528,148	4,247,409	8,387,230
At 30 June previous year				
Trade payables	4,800,000	600,000	2,513,213	7,913,213
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0

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Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	4,800,000	600,000	2,513,213	7,913,213

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Current Year			
Financial assets			

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Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Previous year			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 Current FY			
Euro	10%	0	0
USD	10%	0	0
2024 Previous FY			
Euro	10%	0	0
USD	10%	0	0

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2024 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0
At 30 June 2024 Previous FY				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

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

Notes to the financial statements (continued)

iv) Capital Risk Management

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

	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Revaluation reserve	4,597,346	4,597,346
Retained earnings	5,486,278	1,791,469
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(40,062)	(2,911,697)
Net debt/ (excess cash and cash equivalents)	0	0
Gearing-debt to asset ratio	65%	81%

36. Incorporation

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

37. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

Appendix : progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)
REPORT ON THE FINANCIAL STATEMENTS Basis for Qualified Opinion	1.Inaccuracies in the Statement of Financial Position- The statement of financial position reflects revenue reserves and accumulated fund balances of 4,597,346 and Ksh.633,142 respectively as disclosed in Notes 21 and 22 of the financial statements, however supporting documents including detailed schedules were not provided for audit. In the circumstances, the accuracy and completeness of the above mentioned balances could not be confirmed.	The management has noted the auditors concerns and has provided the schedules for the stated balances.	Resolved awaiting county assembly and senate clearance
Basis for Qualified Opinion	2.Unsupported Revenue Water Sales- The statement of profit or loss and other comprehensive income reflects operating revenue water sales amount of Ksh. 13,029,033 as disclosed in Note 6 to the financial statements. However the statement of cash flows reflects an amount of Ksh. 6,167,494 operating revenue water sales resulting to an unexplained variance of Ksh. 6,861,539. In the circumstances the accuracy and completeness of the operating receipts water sales amount of Ksh.13,029,033 could not be confirmed.	The management has noted the auditors concern however the variance of Ksh.6,861,539 represents credit sales during the period. The template provided only allows representation of the actual cash in and out of the company and not credit sales	Resolved awaiting county assembly and senate clearance

Emphasis of matter	Budgetary control and performance The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis amounts of ksh.128,811,003 and Ksh. 35,738,767 respectively resulting to underfunding of ksh. 93,072,236 or 72% of the budget. Similarly, the company expended Ksh. 38,811,997 against an approved budget of 128,811,997 resulting to under expenditure of Ksh. 89,999,006 or 70% of the budget. The underfunding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public. My opinion is not modified in respect to this matter.	The underfunding was caused by the County Treasury not releasing all the budgeted grants and failure by the organization to collect its targeted revenue due to staff and system capacity, Management is currently in the process of hiring additional staff and also in the process of acquiring a system to address the challenge . The underperformance was due to the underfunding above	Resolved awaiting county assembly and senate clearance
REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES Basis for Conclusion	1.Non-Revenue Water Review of water records revealed that during the year under review, the company produced 669,800 cubic meters of water valued at Ksh.24,051,432. However, out of this production,only 362,841 cubic meters valued at Ksh. 13,029,033 was billed as shown in the statement of profit or loss and other comprehensive income,leaving an unaccounted for 306,959 cubic meters of 46% of water valued at Ksh. 11,022,340 representing non-revenue water. The loss of 46% of water was above the 25% threshold allowed by Water Services Regulatory Board (WASREB) by 21%. No explanation was provided for the 16% excess loss through water. In the circumstances the company is not able to achieve its objective of providing	The management has noted the auditors concerns and has taken measures to reduce Non Revenue Water losses.	Resolved awaiting county assembly and senate clearance

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	sufficient water to the residents of the County.		
Basis for Conclusion	Use of outdated Tariffs Under report of the Managing Director, it has been indicated under licence application that the company is yet to negotiate for and adopt new tariffs approved by WASREB. Instead, the company is using outdated tariffs inherited from the defunct Kakamega-Busia Water Company Limited. This was contrary to section 72 of Water Act, 2016 which requires WASREB to evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards. In the circumstances management was in breach of the law	The management has noted the auditors concerns and has applied for a tarrif. This is after receiving an operational licence. Evidence of the same has been provided.	Resolved awaiting county assembly and senate clearance

Basis for Conclusion	Non-compliance with Fiscal Responsibility on wage bill The statement for profit or loss and other comprehensive income reflects an expenditure of Ksh. 16,223,924 on staff costs representing 45% of the total revenue of Ksh. 35,738,767. This is contrary to regulation 25(1)(a) and (b) of the public finance (County Governments) Regulations, 2015 and section 107(2)(c) of the Public Finance Management Act ,2012 which requires that the county governments expenditure on wages and benefits for its public officers shall not exceed 35% of the county governments total revenue. In the circumstances management was in breach of the law. The audit was conducted in accordance with the ISSAI 4000. The standard requires that i comply with the ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.	The management has noted the auditors concerns. The company was still in its initial stages hence had low revenue collection thus having not enough revenue to fund the budget thus high staff costs Percentage. However the management has put in place measures to increase revenue to fund the budget thus reducing the percentage of staff cost .	Resolved awaiting county assembly and senate clearance
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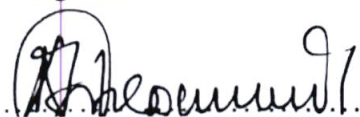
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REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE Basis for Conclusion	1.Lack of Risk Management Policy and Framework In the circumstances, the existence of an effective the Company Management had not put in place risk management policy, strategies, risk register to mitigate against risk. It was, therefore, not clear how management manages risk exposures. This is contrary to Regulation 158 (1)(a) and (b) of the Public Finance Management (County Government) 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 risk management and internal control that builds robust business operations In the circumstances, the existence of effective risk management measures could not be confirmed.	Management has noted the auditors concerns however the company has been using risk management policy developed by the county Government of Kakamega and applicable to all the entities under its umbrella	Resolved awaiting county assembly and senate clearance
Basis for Conclusion	2. Lack of effective Internal Audit Function and an Audit Committee of the Board The company has not established an effective internal audit function and an audit function and an audit committee of the board. This is contrary to section 155 of the Public Finance Management Act,2012 which provides for the establishment of the internal audit function and audit committee of the Board.As such the company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from Audit committee. In the circumstances, the effectiveness of internal controls could not be confirmed.	The company has established an effective audit function and an audit committee in the Financial year 2023/2024	Resolved awaiting county assembly and senate clearance

Basis for Conclusion	3.Lack of Scheme Service The company did not have an approved scheme of service detailing job grading structure ,job descriptions and appointment specifications, standards for recruitment, training advancement, career planning and succession management across the various cadres as established. In the circumstances, the effectiveness of the internal controls on staff management could not be confirmed The audit was conducted in accordance with the ISSAIs 2315 and 2330. The standards require that i plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtaied is sufficient and appropriate to provide a basis for my conclusion.	The management has noted the auditors concern and is in the process of reviewing the Human Resource Manual to include the scheme of Service.	Resolved awaiting county assembly and senate clearance
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Name Dr. Joseph Ongoma Aswani

Signature



Managing Director

Date 29/11/2024

Appendix II: Projects Implemented by the Company Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity-MINISTRY OF WATER AND NATURAL RESOURCES-COUNTY GOVERNMENT OF KAKAMEGA

Name of Beneficiary entity -KAKAMEGA COUNTY RURAL WATER AND SANITATION COMPANY

Confirmation of amounts received by KACRUWASCO as at 30th June 2024

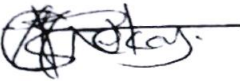
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	07/07/2024			10,500,000	
	29/01/2024			10,000,000	
Total				20,500,000	

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name STACY NEKOY SIMIYU Sign  Date 29/11/2024

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Q1	Q2	Q3	Q4	Source Of Funds	Implementing Partners



Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity:						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specified	
County department of Water	07/07/2023	Recurrent and Development	10,500,000	10,500,000	0	0	0	0	10,500,000
County department of Water	23/01/2024	Recurrent and Development	10,000,000	10,000,000					10,000,000
Total			20,500,000	20,500,000	0	0	0	0	20,500,000