

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, 2023**

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
KIWASH	Kenya Intergraded Water Sanitation and Hygiene
FY	Financial Year

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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
- Professionalism
- Integrity
- Environmental conscious
- Diversity & Inclusivity

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- Team work

Directors

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

1. Mr. Peter Khamusali Ingosi - Chairman
2. Mr. Fredrick Atwa - Chief Executive Officer
3. Prof. Francis Orata - Member of the Board
4. Mr. Albert Tungani - Member of the Board
5. CPA Fredric Tolo - Member of the Board
6. Ms. Vivienne Litali - Member of the Board
7. Mrs. Mariam Claris Nyongesa - Member of the Board
8. Dr. Jeophita June Mwajuma - Member of the Board

Company Secretary

The County Attorney
County Government of Kakamega

Kakamega, Kenya **Registered Office**
Mumias Municipal Building
Webuye -Bungoma Road
P.O Box 647 – 50100
Kakamega

Corporate Headquarters

P.O. Box 647 – 50100
Mumias Municipal Building
Webuye -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




Kakamega County Rural Water and Sanitation Company Limited
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Principal Legal Advisers





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

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3. The Board of Directors

Ref	Directors	Details
1.	 Mr. Peter Khamusali Ingosi	Age- 55 Years old Academic/professional qualifications, and work experience. MSC- Strategic management and planning with working experience of 25 years. Is an independent director. Is the chair of the full Board
2.	 Prof. Francis Orata	Age- 51 Years old Academic/professional qualifications, and work experience. PHD, MSC,BSC- Environmental and toxicology chemistry-water treatment technologies and analysis working experience of 20 years. Is an independent director. Chairperson – Technical & Environment Committee
3.	 Mr. Albert Tungani	Age- 60 Years old Academic/professional qualifications, and work experience. MED-Education Principal Friends School Sirigoi Chairman to various school and community boards Is an independent director. Chairperson – Finance, HR & Administration Committee
4.		Age- 43 Years old Academic/professional qualifications, and work

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	 <p align="center">Ms. Vivienne Litali</p>	<p>experience.</p> <p>BSC- Environment planning With an experience of 15 years</p> <p>Is an independent director.</p> <p>Chairperson – Audit & Risk Assurance Committee</p>
5.	 <p align="center">CPA Fredric Tolo</p>	<p>Academic/professional qualifications and work experience. MBA,BSC,CPA(K) with an experience of 15 years</p> <p>Is the Chief Financial Officer Lake Victoria North Water Works Development Agency</p>
6.	 <p align="center">Mrs. Mariam Claris Nyongesa Chief Officer, Water</p>	<p>Masters in Crop Protection (Masinde Muliro University of Science and Technology)</p> <p>Bachelor of Education Science (MMUST)</p>
7.	 <p align="center">Dr. Jeophita June Mwajuma Chief Officer Finance</p>	<p>Doctor of Philosophy in Environmental Microbiology</p> <p>Master of Science in Microbiology</p> <p>Post graduate Diploma in Education</p> <p>Bachelor of Science (Botany /Zoology)</p>

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8.	 Mr. Fredrick Atwa	<p>Age- 52 Years old</p> <p>Academic/professional qualifications, and work experience.</p> <p>Master of Project Planning and Management (Research Is an Executive director with experience of 30 years</p> <p>Chief Executive Officer</p>
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Kakamega County Rural Water and Sanitation Company Limited
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4. Key Management Team

Ref	Management	Details
1.	 Mr. Fredrick Atwa	Is the Chief Executive Officer Master of Project Planning and Management (Research
2.	 Mr. Michael Shikanga	Ag. Technical Manager BA Project Planning &Mgt, Diploma in Water Tech
3.	 Ms. Faith Rutto	Ag. Commercial & Finance Manager B.Com-Finance, CPA V
4.	 Ms. Lilian Hakonga	Customer Services Manager MSc, BSc Development Studies

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5.	 <p>Ms. Miriam Akola</p>	<p>Ag. Human Resource Officer</p> <p>B. Com-Human Resource</p>
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Kakamega County Rural Water and Sanitation Company Limited
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5. Chairman's Statement

It is with great honour on behalf of the Board of Directors, staff of Kakamega Rural Water and Sanitation Company limited (KACRUWASCO), the County Government of Kakamega and our esteemed stakeholders to present our financial report of the company for the year ended 30th June 2023.

Our mandate as a company is to ensure provision of water and sanitation services within our area of jurisdiction. Our first priority after achievement of this milestone is to acquire the license from the sector regulator, WASREB so that we discharge our mandate with full legal status and to enable us opportunities for resources mobilization.

Currently, the situation of water and sanitation services in our service area and is not satisfactory. Our supply is far below the daily demand, no adequate sanitation and we start from a point of non-existence of sewerage infrastructure. Water production facilities are broken down and are not adequately repaired and maintained to assure their design capacity. We also need properly trained, experienced and motivated workforce who can live up to the challenges of today. Consequently, the urgent need to reverse the inadequate water problem cannot be overemphasized.

We are extremely grateful to the County Government of Kakamega through the Governor for making this Company autonomous and to finance its operations at its initial stage as it works to be self-sustaining.

I look forward to more cooperation that will enable the company to improve its service delivery.

Thank you.



Mr. Peter Khamusali Ingosi
CHAIRMAN OF THE BOARD

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6. Report of the Managing Director

It is my obligation to present to you the business performance highlights for the year ended 30th June 2023 and give insights to key areas of our operations that underlies the reported financial performance.

In 2023, the County Government of Kakamega, while exercising its devolved function in respect of water services provision according to the Water Act 2016, decided to form KACRUWASCO to compliment the services of Kakamega County Water and Sanitation Company. This was done to accelerate achievement of water service coverage in the larger areas falling outside of Kakamega town and the several townships and urban centres within our County. Our area of service is not yet fully determined but is approximately 2,100 square kilometres, with a population estimated at 1.774 million people.

Strategic plan and business plan

The company developed a five-year strategic plan and business plan to give guidance and direction on where the company wishes to be and how to. The management takes key interest in all aspects to ensure that our vision and mission is achieved.

Internet connectivity

The company has installed internet in its headquarter offices which greatly helps to improve operations of the company especially in matters billing. In years to come the internet connectivity could be spread to the other schemes in the company.

Billing system

The company has moved from manual billing to system billing. A billing system, Sulis was procured and successfully installed. Efficiency in billing has been enhanced and billing related complaints have greatly reduced.

License application

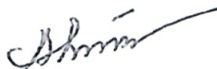
Acquiring a license from Water Services Regulatory Board (WASREB) gives the company authority and mandate to operate. The management has already submitted application for the license from the governing authority. Thereafter a tariff negotiation will be done.

Benchmarking

Being a new company, the board and its management saw the need to benchmark with similar water companies so as to learn and adopt good practices of operations.

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

I also appreciate our customers for the unwavering support to the company. As we work together as a team, KACRUWASCO will be great. God bless KACRUWASCO, God bless Kenya



Mr. Fredrick Atwa

Kakamega County Rural Water and Sanitation Company Limited
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Managing Director

7.Statement of Performance against Predetermined Objectives for FY 2022/2023

Seven key strategic objectives have been developed in this Strategic Plan together with a number of strategic activities required to achieve each strategic objective.

This is illustrated in the table below;

Strategic Objective No.1	To improve water services coverage from 35 % in 2023		Achievements
Strategies	1.1	Develop a Water Master Plan for Kakamega County overall -Project development plans	Master plan is in place at the county level.
	1.2	Develop a Sewer Master Plan for Kakamega Rural Jurisdiction - Project development plans	No sewer plan in place the management is the process of acquiring licence to take off the projects sewerage
	1.3	Augment/ rehabilitate/renew existing water supply schemes (10 No) to improve production from 887 m ³ / day to 1,187 m ³ / day in 2022.	Rehabilitated two schemes misango and siville water Schemes
	1.4	Complete the construction and commissioning of the Lumino Dam project to increase production by additional 3,000 m ³ per day and Lwakhupa Water supply project by additional 750 m ³ per day by end of 2022.	The two projects were completed and operational
	1.5	Complete the construction and commissioning of the Mungakha Water Project to increase production by additional 168 m ³ per day by end of 2022.	Completed and operational
	1.6	Increase water supply production through construction of new water supply projects within the 3 regions (subject to feasibility study)	Misango, Musembe and Lwakhupa complete and operational
	1.7	Distribution pipelines, storage/break pressure tanks and customer reticulation network	Pipeline distribution commenced and it is a continuous process
	1.8	Introduce Exhauster services to manage septic waste sites to dispose from 150 premises in 2022.	No exhauster services yet
Strategic Objective No.2	To be a commercially viable water and sanitation services company		
Strategies	2.1	Undertake commercial viability and sustainability studies for the Company	With support from KIWASH, we have done for three schemes namely Musembe, Lumino and Navakholo
	2.2	Support implementation of recommended strategies to increase capacity, viability and sustainability of the company.	Strategies to increase capacity and sustainability of the company have been implemented
	2.3	Increase number of customers from 2700 to 3500 by end of 2022	Customers increased to 3000
	2.4	Develop and adopt a new Water and sewer tariff	Yet to adopt water and sewer tariff, management is in the process of

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			obtaining licence
	2.5	Purchase and install suitable customer water meters progressively as follows; 3,450 meters in 2022	No meter installed as at June 2023
	2.7	Embrace ICT in billing and revenue management.	Sulis billing system has been incorporated.
	2.8	Improve water revenue collection from average Kshs 200,000 per month in February 2022 to Kshs 500,000 per month in 2022	Increased revenue collection to Kshs 500,000
	2.9	Progressively reduce the number of customers on flat rate to nil by 2023 with installation of meters using innovative methods	106 meters installed as at June 2023
Strategic Objective No.3	To achieve sound Operations and Maintenance Practices for improved efficiency		
	3.1	Undertake continuous training of staff in water supply operations and plant maintenance (KEWI courses)	Staff training done across all the schemes
	3.2	Recruit qualified technical staff from 2022-2024	No staff recruited but qualified staff are seconded from KACWASCO and the county government from time to time
	3.3	Outsourcing relevant technical services where necessary, eg pump servicing	Technical services are outsourced on need basis
	3.4	Adoption of modern technology in O & M, eg solar, biogas, and automation	Hybrid solar system across all the water supplies to replace electricity
	3.5	. Procure 3 No Pick-up vehicle for O & M functions	No motor vehicle procured in the financial year
	3.6	Procure 7 No motor cycles for O & M activities (Two per each Region & one for HQ)	Received 10 motor cycles through donation from the county government and have serviced and maintained therefore no need to procure the same
Strategic Objective No.4	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 2022		
	4.1	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	Completed and commissioned except for Matunda water project
	4.2	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).	Customer service lines done across all the three except Matunda water project
	4.3	Increase sewer network from Nil in 2022 to 10 km in 2026 in townships to improve safe disposal and protect the environment.	No sewer services yet

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	4.5	Establish stores management for minimum stocks of pipes, fittings, meters and equipment for water and sewerage services to ensure continuous progress of works.	Stores management in place
Strategic Objective No.5	To establish and enhance institutional development of the company		
	5.1	To develop a Human Resource Management Policy Manual by end of 2022	No Human resource management policy and manual as at June 2023
	5.2	Undertake staff job evaluation so as to re-deploy by end of 2022.	Not yet done
	5.3	Conduct annual performance appraisals for staff from 2022.	No performance appraisal done
	5.4	Adopt improved Management Information System by 2023.	No Management Information system as at June 2022
	5.5	Enhance employee and customer satisfaction on continuous basis	Employee and customer satisfaction done and it is continuous.
	5.7	Enhance use of ICT in the company	The company has in place a billing system with major components
	5.8	New office accommodation, plus branding	The company now occupies the first floor of the municipal building and the offices are renovated
	5.9	Procure suitable 1 No Saloon Vehicle 4 Wheel Drive (CEO) and 2 No. Double Cabin Pick-Up (Corporate Team Managers)	No motor vehicle procured yet
	5.10	Enhance equity, internal processes and compliance	Equity, internal process and compliance has been enhanced
Strategic Objective No.6	To promote good corporate governance by the company		
Strategies	6.1	To develop an organization structure responsive to the core business of the company by 2022.	Organisation structure developed
	6.2	To enhance good corporate governance and ethical conduct	Good corporate governance and ethical conduct has been enhanced
	6.3	To develop Corporate Social Responsibility (CSR) policy and practices	Corporate Social Responsibility (CSR) policy and practices not developed
Strategic Objective No.7	To enhance collaborations and synergies with other stakeholders and actors in the sector and industry		
Strategies	7.1	Mapping of stakeholders and relevant actors	Mapping of stakeholders and relevant actors not done
	7.2	Stakeholders' engagements and consultations	Stakeholders' engagements and consultations not done
	7.3	Communication and information sharing	Communication and information sharing achieved successfully
	7.4	Develop strategies for resource mobilization	No strategies for resource mobilization developed
	7.5	Strengthen collaborations and partnership with the Lake Victoria North Water Works	A representative of Lake Victoria North Water Works Development

Kakamega County Rural Water and Sanitation Company Limited
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		Development Agency.	Agency is a member of the board
	7.6	Collaborations and strong linkages with Kakamega County WASH platform and other actors	There was strong collaborations and linkages

Kakamega County Rural Water and Sanitation Company Limited **Annual Report and Financial Statements for the year ended June 30, 2023**

8. Corporate Governance Statement

The Company is governed by the Board of Directors comprising of Eight (8) including the Chief Executive Officer. The Board does not have a Company Secretary. The operational day-to-day management is the responsibility of the corporate management team (CMT) headed by the Managing Director under supervision of the Board of Directors.

The role of the BOD is to provide policy guidelines for the management of the company. It has the responsibility to establish and maintain full and effective control over the strategic, financial and operational direction of the company as well as ensuring compliance with company policies and procedures.

The Board has delegated its functions to three committees, namely;

1. Finance & Human Resource Committee
2. Technical Committee
3. Audit Committee

It is proposed that the Technical committee be renamed; Strategy, Technical and Business Development Committee.

The committees report to the Full Board, which is chaired by the Company Chairman, who is the overall head of the Board of Directors and the Company.

Board Meetings

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

Committees of the Board

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

(i) Audit and Risk Committee

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

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(ii) Finance Committee

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

(iii) Technical Committee

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

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Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

a) Net Profit

This net profit for the financial year was contributed to by the increase in sales and the reduced cost of Operation and Maintenance during the financial year

b) Sales

The company realized sales of Kshs 13,029,033 during the financial year.

c) Cost of Sales

Electricity cost during the year was Kshs 1,690,859 since most of the schemes use pumping. Chemicals were not used in the schemes that were being operated during the year.

d) Strategic and Business Plans

The company successfully developed and validated a strategic and business plans which will give a roadmap and guide the company to achieve its short and long term goals.

e) Schemes

More viable schemes are to be taken up so as to improve the revenues for the company in order for it to meet its operation and maintenance cost and the personnel cost.

f) Billing system

There was a need to acquire a billing system so as to improve on efficiency. An automated system helps to reduce errors and other human related inefficiency which are brought about through manual billing.

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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.

To this end: -

1. The Company plans to have a separate environmental policy statement clarifying its commitment to delivering a net positive impact on the environment.
2. The Company will establish a Corporate Social Responsibility budget line within its annual budget through which it supports its social responsibility objectives.
3. The company plans to undertake annual health and safety workplace audits
4. Ethically the Company is committed to doing the right things, conducting ourselves in a legal, ethical and trust worthy manner.

The company is committed to upholding our regulatory obligations

Kakamega County Rural Water and Sanitation Company Limited **Annual Report and Financial Statements for the year ended June 30, 2023**

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

i) Principal activities of KACRUWASCO

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, 2023 are set out on page 1 to 6. The Company realised a profit of Kshs 1,791,470.

iii) Dividends

The board has not recommended the payment of dividend to shareholders in order to strengthen the Company's financial position and improve our growth prospects since it is still a new company

iv) Directors

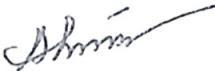
The members of the Board of Directors who served during the year are shown on pages vi, vii and viii In accordance with Regulation of the company's Articles of Association.

Kakamega County Rural Water and Sanitation Company Limited
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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 2015 for the period ended June 30, 2023.

By Order of the Board



.....

Name

Secretary to the Board

Date:

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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 ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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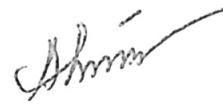
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 15/09/ 2023 and signed on its behalf by:



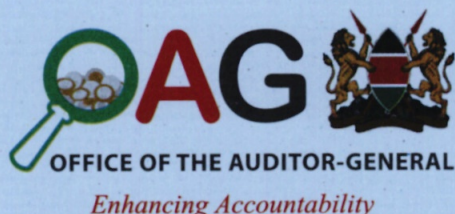
.....
Name *Peter Khamusali*
Chairman of the Board



.....
Name *Fredrick Atwa*
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY RURAL WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Rural Water and Sanitation Company Limited set out on pages 1 to 48 which comprise of the

Report of the Auditor-General on Kakamega County Rural Water and Sanitation Company Limited for the year ended 30 June, 2023

statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Rural Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act 2015.

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 Kshs.4,597,346 and Kshs.633,142 respectively, as disclosed in Notes 21 and 22 to 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.

2. Unsupported Operating Revenue-Water Sales

The statement of profit or loss and other comprehensive income reflects operating revenue water sales amount of Kshs.13,029,033 as disclosed in Note 6 to the financial statements. However, the statement of cash flows reflects an amount of Kshs.6,167,494 operating revenue water sales resulting to an unexplained variance of Kshs.6,861,539.

In the circumstances, the accuracy and completeness of the operating receipts water sales amount of Kshs.13,029,033 could not be confirmed.

The audit was conducted in accordance with the International Standards of 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 revenue budget and actual on comparable basis amounts of Kshs.128,811,003 and Kshs.35,738,767 respectively, resulting to under-funding of Kshs.93,072,236 or 72% of the budget. Similarly, the Company expended Kshs.38,811,997 against an approved budget of Kshs.128,811,997 resulting to under-expenditure of Kshs.89,999,006 of 70% of the budget.

The under-funding 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.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing 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

Review of the water records revealed that during the year under review, the Company produced 669,800 cubic meters of water valued at Kshs.24,051,432. However, out of this production, only 362,841 cubic meters valued at Kshs.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 or 46% of water valued at Kshs.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 sufficient water to the residents of the County.

2. Use of Outdated Tariffs

Under Report of the Managing Director, it has been indicated under license application that the Company is yet to negotiate for and adopt new tariffs approved by Water Services Regulatory Board (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 Water Services Regulatory Board (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.

3. Non-Compliance with Fiscal Responsibility on Wage Bill

The statement of profit or loss and other comprehensive income reflects an expenditure of Kshs.16,223,924 on staff costs representing 45% of the total revenue of Kshs.35,738,767. This is contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 and Section 107(2)(c) of the Public Finance Management Act, 2012 which requires that the county government's expenditure on wages and benefits for its public officers shall not exceed 35% of the county government's total revenue.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The Standard requires 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 THE 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 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 overall governance were not effective.

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, and risk register to mitigate against risk. It was, therefore, not clear how Management manages risk exposures. This 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 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 an Effective Internal Audit Function and an Audit Committee of the Board

The Company has not established an effective internal 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 an 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 the Audit Committee.

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

3 Lack of Scheme of 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 International Standards of Supreme Audit Institutions (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 obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease its operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the audit report.

report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2024

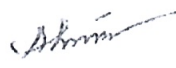
Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023

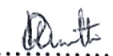
	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Revenue			
Operating Revenue-Water Sales	6	13,029,033	5,468,874
Grants Income	7	19,961,015	15,000,000
Other Income	8	2,748,719	4,521,678
Total Revenue		35,738,767	24,990,552
Expenses			
Staff Costs	9	16,223,924	17,775,275
General and Operations expenses	10	12,604,535	7,318,551
Board Expenses	11	1,370,150	1,831,500
Maintenance Expenses	12	2,114,298	1,150,548
Depreciation and Amortization expenses	13	1,634,390	18,823
Total Expenses		33,947,297	28,094,697
Profit/(Loss) Before Taxation		1,791,470	(3,104,145)
Income Tax Expense/(Credit)	14	0	0
Profit/(Loss) After Taxation		1,791,470	(3,104,145)
Other Comprehensive Income			
Profit/ (Loss) After Taxation		1,791,470	(3,104,145)
Surplus Or Deficit on Revaluation Of PPE		0	0
Remeasurement Of Net Defined Benefit Liability		0	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		0	0
Total Comprehensive Income for The Year		1,791,470	(3,104,145)

Comparative FY refers to the financial year preceding the current financial year.


The financial statements were approved by the Board on 15/09/2023 and signed on its behalf by:



 Name **Fredrick Atwa**
 Managing Director



 Name **Faith Ruto**
 Head of Finance



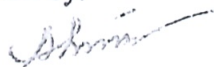
 Name **Peter Khamusali**
 Chairman of the Board

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023


15. Statement of Financial Position as at 30 June 2023

	Note	FY 2022/2023 Kshs	FY 2021/2022 Kshs
Assets			
Non-current assets			
Property, plant and equipment	15	3,961,139	430,606
Intangible assets	16	1,200,795	202,536
Total non-current assets		5,161,934	633,142
Current assets			
Inventories	17	0	0
Trade and other receivables	18	6,861,540	2,510,555
Bank and cash balances	19	2,911,697	4,597,346
Total non-current assets		9,773,237	7,107,901
Total Assets		14,935,171	7,741,043
Equity and liabilities			
Capital and Reserves			
Ordinary Share Capital of 100 Shares @ Kshs.1,000	20	0	0
Revenue reserve	21	4,597,346	0
Accumulated fund	22	633,142	0
Retained earnings	23	1,791,470	(3,104,145)
Capital and Reserves		7,021,958	(3,104,145)
Non-current liabilities			
Provisions	24	0	0
Total non-current liabilities		0	0
Current liabilities			
Trade and other payables	25	7,913,213	10,845,188
Total current liabilities		7,913,213	10,845,188
Total equity and liabilities		14,935,171	7,741,043


The financial statements were approved by the Board on 15/09/ 2023 and signed on its behalf by:



.....
 Name Fredrick Atwa
 Managing Director



 Name Faith Rutto
 Head of Finance



 Name Peter Khamurasi
 Chairman of the Board

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Accumulated fund	Revenue reserves	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2021		0	0	0	0	0	0	0
New capital issued		0	0	0	0	0	0	0
Loss for the year		0	0	0	(3,104,145)	0	0	(3,104,145)
Proposed final dividends		0	0	0		0	0	0
As at June 30, 2022		0	0	0	(3,104,145)	0	0	(3,104,145)
As at July 1, 2022		0	0	0	(3,104,145)	0	0	(3,104,145)
Issue of new share capital		0	0	0	0	0	0	0
Accumulated fund		0	633,142	0	0	0	0	633,142
Revenue reserves		0	0	4,597,346	0	0	0	4,597,346
Profit for the year		0	0	0	1,791,470	0	0	1,791,470
At June 30, 2023		0	633,142	4,597,346	-1,312,675	0	0	3,917,813

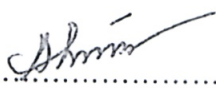
Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023


17. Statement of Cash Flows for the Year Ended 30 June 2023


	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts-Water Sales		6,167,494	5,468,874
Grants Income		19,961,015	15,000,000
Other Income		2,748,719	4,521,678
Customer Deposits		307,500	0
Total Receipts		29,184,728	24,990,552
Payments			
Staff Costs		16,223,924	17,775,275
General And Operation Expenses		10,287,047	7,318,551
Board Expenses		1,370,150	1,831,500
Maintenance Expenses		1,917,548	1,150,548
Total Payments		29,798,669	28,075,874
Net Cash From/ (Used In) Operating Activities	26	(613,941)	(3,085,322)
Net changes in Current Assets and Liabilities			
Changes in trade receivables		0	(2,510,555)
Changes in trade Payables		0	10,845,188
Net changes in Current Assets and Liabilities		0	8,334,633
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(64,700)	(449,429)
Purchase Of Intangible Assets		(1,007,008)	(202,536)
Net Cash From/ (Used In) Investing Activities		(1,071,708)	(651,965)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		0	0
Net Cash From/(Used In) Financing Activities		0	0
Increase/(Decrease) In Cash and Cash Equivalents		(1,685,649)	4,597,346
Cash And Cash Equivalents At Beginning Of Year	19	4,597,346	0
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End of the Year	19	2,911,697	4,597,346

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

The financial statements were approved by the Board on 15/09/ 2023 and signed on its behalf by:


.....
Name *Fredrick Atwa*
Managing Director


.....
Name *Faith Ritto*
Head of Finance


.....
Name *Peter Khamusali*
Chairman of the Board

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	18,000,000	0	18,000,000	13,029,033	4,970,967	72
Grants	110,811,003	0	110,811,003	19,961,015	90,849,988	18
Other Income	0	0	0	2,748,719	-2,748,719	0
Total Revenue	128,811,003	0	128,811,003	35,738,767	93,072,236	28
Expenses						
Board Expenses	4,681,800	0	4,681,800	1,370,150	3,311,650	29
Staff Costs	45,611,203	0	45,611,203	16,223,924	29,387,279	36
Operation and Maintenance expense	23,000,000	0	23,000,000	2,114,298	20,885,702	9
General and operation Expenses	16,018,000	0	16,018,000	12,604,535	3,413,465	79
Motor vehicle expenses	3,000,000	0	3,000,000		3,000,000	0
Depreciation and amortization	0	0	0	1,634,390	-1,634,390	0
Stakeholder costs	5,000,000.00		5,000,000		5,000,000	0
Total Recurrent Expenditure	97,311,003	0	97,311,003	33,947,297	63,363,706	35
					0	0
Profit or Loss	31,500,000	0	31,500,000	1,791,470	29,708,530	6
					0	0
Capital Expenditure	31,500,000	0	31,500,000	4,864,700	26,635,300	15
					0	0
Total Expenditure	128,811,003	0	128,811,003	38,811,997	89,999,006	30

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes on 10% and above variances on budget absorption

- I. The operating revenues were realized at 72% because the company did not ensure 100% billing due to several challenges faced eg inadequate human resource.
- II. Grants income only realized 18% because some of the proposals submitted did not succeed.
- III. Other Income was not provided in the budget.
- IV. The Board expenses were at 29% because some meetings were held virtually hence saving on per-diems
- V. Staff Costs was at 36% there was no additional recruitment.
- VI. Operation and maintenance was at 9% no major maintenance was realised
- VII. General expenses was at 79% the company did not carry out all the activities as planned
- VIII. Motor vehicle expenses was at 0 since the amount was capitalised under capital expenditure
- IX. Stakeholders costs was at 0 the company did not spend on this classification

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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 Act Cap 486 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. No changes to accounting policies disclosed)	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

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.

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

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iii. Early adoption of standards

Kakamega County Rural Water and sanitation Company L.t.d did not early adopt any new or amended standards in year under review.

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

Summary of Accounting Policies

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 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	25	2,5%
Plant and machinery	12.5	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12.5	12.5%

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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.

Intangible assets acquired by the company were amortized on a straight line basis over its useful life of 5 years.

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Notes to the financial statements (continued)

Summary of Accounting Policies

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 de recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. ~~(OBJ)~~

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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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. The company did not have bad debts for the year under review.

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Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

q) Cash and cash equivalents

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

r) Borrowings

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

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

t) Retirement benefit obligations

The Company does not operate a defined contribution scheme.

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 20th June 2022. Subsequent revisions or additional appropriations were not made to the approved budget. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 0 on the 2022-2023 budget following the governing body's approval. 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 under section 2 of these financial statements.

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Notes to the financial statements (continued)

Summary of Accounting Policies

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, 2023.

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.

Kakamega County Rural Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were not raised and management determined an estimate based on the information available.

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-Water Sales

	2022/2023	2021/2022
	Kshs	Kshs
Water sales	0	5,468,874
July 2022	732,216	0
August 2022	926,464	0
September 2022	879,695	0
October 2022	870,180	0
November 2022	996,603	0
December 2022	966,229	0
January 2023	781,705	0
February 2023	1,113,946	0
March 2023	1,031,759	0
April 2023	1,144,602	0
May 2023	1,722,858	0
June 2023	1,862,776	0
Total	13,029,033	5,468,874

There has been a change in classification of revenue in the current financial year.

7. Grants Income

	2022/2023	2021/2022
	Kshs	Kshs
Transfer from the County Government of Kakamega	19,961,015	15,000,000
Total	19,961,015	15,000,000

This amount has been recognized in the statement of comprehensive income since it is not a capital development grant.

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	2022/2023
Department					
County		0	0		0

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Government of Kakamega	19,961,015			19,961,015	
Total	19,961,015	0	0	19,961,015	0

8. Other Income

	2022/2023	2021/2022
	Kshs	Kshs
Transfer from KACWASCO	2,748,719	4,521,678
Total	2,748,719	4,521,678

9. Staff Costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Basic Salary	7,756,500	9,373,200
Pension(Employer Contribution)	1,511,868	1,695,330
House Allowance	2,070,000	2,574,000
Transfer Allowance	0	1,315,400
Leave Allowance	239,197	138,367
Social fund	205,200	246,240
Acting Allowance	135,500	271,440
Airtime Allowance	340,000	328,000
Commuter Allowance	675,000	834,000
Risk Allowance	15,000	48,000
Special Duty Allowance	294,750	168,030
Arrears	0	63,220
Casual wages	2,980,909	720,048
Total	16,223,924	17,775,275
The average number of employees during the year	60	

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10. General and Operations Expenses

Description	2022/2023	2021/2022
	KShs	KShs
Electricity	1,690,859	1,866,799
Fuel, oil, lubricants, and gases	60,902	21,000
Publicity and advertising	772,825	194,727
Rent and Rates	18,000	29,000
Domestic Traveling and subsistence	4,676,792	4,604,901
Bank Charges	57,414	9,140
Hospitality expenses	247,080	36,100
Office supplies	344,217	109,350
Staff training and development	0	120,000
Bulk water costs	1,078,655	319,960
Insurance	193,000	7,574
Security services	791,733	0
Licensing and Levies	109,360	0
Public Participation	2,014,000	0
Uniforms and other protective clothes	69,600	0
Telephone and communication	131,999	0
Subscription and other professional bodies	23,100	0
Development of water	325,000	0
Total	12,604,535	7,318,551

11. Board Expenses

Description	2022/2023	2021/2022
	KShs	KShs
Chairman Honoraria	660,000	462,000
Sitting allowances	375,650	1,221,700
Travel and accommodation	334,500	147,800
Total Board Expenses	1,370,150	1,831,500

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12. Maintenance Expenses

	2022/2023	2021/2022
DESCRIPTION	KSHs	KSHs
Plant and Equipment	1,350,430	966,258
Water Meter maintenance costs	34,000	146,758
Motor vehicles	100,780	37,532
Computer and related accessories	151,600	0
Office renovations	280,738	0
Electrical materials	196,750	0
Total Maintenance Expenses	2,114,298	1,150,548

13. Depreciation and Amortization Expenses

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant, and equipment	1,334,191	18,823
Intangible assets	300,199	0
Total Depreciation and Amortization	1,634,390	18,823

14. Income Tax Expense/(Credit)

Current taxation

	2022/2023	2021/2022
	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

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

	2022/2023	2021/2022
	Kshs	Kshs
Profit before taxation	0	0
Tax at the applicable tax rate of 30%	0	0
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

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

15. Property, Plant and Equipment

FY 2022/2023	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, 2021	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	272,200	177,229	0	449,429
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At June 30, 2022	0	0	0	0	0	272,200	177,229	0	449,429
Depreciation									
At July 1, 2021	0	0	0	0	0	0	0	0	0
Charge For the Year	0	0	0	0	0	15,107	3,715	0	18,823
Impairment Loss	0	0	0	0	0	0	0	0	0
Disposal	0	0	0	0	0	0	0	0	0
At June 30, 2022	0	0	0	0	0	15,107	3,715	0	18,823
Net Book Value At June 30, 2022	0	0	0	0	0	257,093	173,513	0	430,606
Cost or valuation									
As at 1 July 2022	0	0	0	0	0	257,093	173,513	0	430,606
Additions	0	0	0	0	4,800,000	0	64,700	0	4,864,700
Transfers	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2023	0	0	0	0	4,800,000	257,093	238,237	0	5,295,330

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Depreciation									
At July 1, 2022	0	0	0	0	0	15,107	3,692	0	18,799
Charge for the year	0	0	0	0	1,200,000	85,612	29,780	-	1,315,392
Impairment loss	0	0	0	0	0	0	0	0	0
disposal	0	0	0	0	0	0	0	0	0
As at 30th June 2023	0	0	0	0	1,200,000	100,719	33,472	-	1,334,191
Net book value	0	0	0	0	3,600,000	156,374	204,765	-	3,961,139

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Notes to the financial statements (continued)

Valuation

The company did not acquire any land in the financial year 2022-2023

15 (b) 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
Plant and machinery	0	0	0
Motor vehicles, including motorcycles	4,800,000	1,200,000	3,600,000
Computers and related equipment	272,200	100,719	171,481
Office equipment, furniture, and fittings	241,929	83,025	158,904
	5,314,129	1,383,744	3,930,385

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

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Notes to the financial statements (continued)

16. Intangible Assets

	2022/2023	2021/2022
	Kshs	Kshs
Cost		
At July 1	202,536	0
Additions	1,298,458	202,536
Disposals	0	0
At June 30	1,500,994	202,536
Amortization		
At July 1	0	0
Charge for the year	300,199	0
Disposals	0	0
Impairment loss	0	0
At June 30	300,199	0
Net book value	1,200,795	0
At June 30	1,200,795	202,536

Intangible assets has been Amortized for its 5 useful years on a straight line method.

17. Inventories

	2022/2023	2021/2022
	Kshs	Kshs
Pipes and Fittings	0	0
Stationery	0	0
Total	0	0

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Notes to the financial statements (continued)

18. Trade and Other Receivables

	2022/2023	2021/2022
	KShs	KShs
Trade receivables (note (18a))	6,861,540	2,510,555
Deposits and prepayments		0
Other receivables		0
Gross trade and other receivables	6,861,540	2,510,555
Provision for bad and doubtful receivable		0
Net trade and other receivables	6,861,540	2,510,555

18. (a) Trade Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross trade receivables	6,861,540	2,510,555
Provision for doubtful receivables	0	0
Net trade receivables	6,861,540	2,510,555
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,443,255	0
Between 30 and 60 days	2,551,449	0
Between 61 and 90 days	2,015,591	0
Between 91 and 120 days	536,970	0
Over 120 days	314,275	2,510,555
Total	6,861,540	2,510,555

18. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022/2023	2021/2022
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

18. (c) Staff Receivables

	2022/2023	2021/2022
	Kshs	Kshs

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Gross staff loans and advances	0	0
Provision for impairment loss	0	0
Net staff loans	0	0
Less: Amounts due within one year	0	0
Amounts due after one year	0	0

18. (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2022/2023	2021/2022
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

19. Bank and Cash Balances

	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	2,911,697	4,597,346
Cash in hand	0	0
Mobile money account	0	0
Total	2,911,697	4,597,346

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022/2023	2021/2022
		KShs	KShs
a) Current account			
KCB-Operation account	1251924549	1,149,339	4,254,020
KCB-Customer Deposit account	1251924336	1,081,091	296,901
KCB-Revenue Account	1251924468	681,268	46,425
Total		2,911,697	4,597,346

20. Ordinary Share Capital

	2022/2023	2021/2022
	Kshs	Kshs
Authorized:		
100 Ordinary shares of Kshs. 1,000 par value each	100,000	100,000

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Issued and fully paid:		
100 Ordinary shares of Kshs. 1,000 par value each	0	0

21. Revenue reserve

	2022/2023	2021/2022
	Kshs	Kshs
Authorized:		
Balance Brought forward	4,597,346	0
Total	4,597,346	0

22. Accumulated fund

	2022/2023	2021/2022
	Kshs	Kshs
Authorized:		
Balance brought forward for PPE	633,142	0
Total	633,142	0

23. Retained Earnings

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities for the fy 2022/2023 retained earnings was kshs 1,791,470 and for fy 2021/2022 retained earnings was ksh (3,104,145)

24. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0	0
Additional Provisions	0	0	0	0	0
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0

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Balance at the end of the year	0	0	0	0	0
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Provisions details

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Portion of Provisions	0	0
Long-term portion of Provisions	0	0
Total	0	0

25. Trade and Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Trade payables-Pending bills	7,605,713	1,299,340
Trade payables-Staff Salary	0	9,356,347
Accrued expenses-Customer deposit	307,500	189,500
Total	7,913,213	10,845,188

Aging Analysis for Trade and other Payables

	2022/2023	% of the total	2021/2022	% of the total
Under one year	7,913,213	100%	10,845,188	100%
1-2 years	0	0	0	0
2-3 years	0	0	0	0
Over 3 years	0	0	0	0
Total	7,913,213		10,845,188	0

26. Notes to The Statement of Cash Flows

	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	1,791,470	(3,104,145)
Depreciation	1,334,191	18,823
Amortization	300,199	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	3,425,860	(3,085,322)

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	2022/2023	2021/2022
	Kshs	Kshs
Working capital changes:		
(Increase)/decrease in inventories	0	0
(Increase)/decrease in trade and other receivables	(4,350,985)	(2,510,555)
Increase/(decrease) in trade and other payables	(2,931,975)	(10,845,188)
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/ (used in) operation	(613,941)	(3,085,322)
(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	2,911,697	4,597,346
Cash in hand	0	0
Balance at end of the year	2,911,697	4,597,346
(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 capitalized	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		

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	2022/2023	2021/2022
	Kshs	Kshs
Balance at beginning of the year	0	0
2022 dividends paid	0	0
2023 dividends paid	0	0
2023 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

27. Related Party Disclosures

County Government of Kakamega

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

Other related parties include:

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

Transactions with related parties

	2022/2023	2021/2022
	Kshs	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
Bank charges paid to Govt Commercial banks	0	0

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	2022/2023	2021/2022
	Kshs	Kshs
Interest expense to investments by other govt. entities	0	0
Others (specify)	0	0
Total	0	0
b) Grants from the Government	0	0
Grants from National Govt Agencies	0	0
Grants from County Government	19,961,015	15,000,000
Donations in kind	0	0
Total	19,961,015	15,000,000
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	0	0
Directors' emoluments	0	0
Compensation to key management	0	0
Total	0	0

28. Capital Commitments

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

	2022/2023	2021/2022
	Kshs	Kshs
Amounts authorised and contracted for		
Amounts authorized but not contracted for		
Less: Amounts included in Work in progress		

29. 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

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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 2023				
Trade Receivables	6,861,540	6,861,540	0	0
Other Receivables	0	0	0	0
Investments	0	0	0	0
Bank balances	2,911,697	2,911,697	0	0
Total	9,773,237	9,773,237	0	0
At 30 June 2022				
Receivables	2,510,555	2,510,555	0	0
Other Receivables	0	0	0	0
Investments			0	0
Bank balances	4,597,346	4,597,346	0	0
Total	7,107,901	7,107,901	0	0

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
Trade payables	0	0	0	0
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	0	0	0	0
At 30 June previous year	0	0	0	0
Trade payables	0	0	0	0
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	0	0	0	0

(iii) Market risk (*Tailor as appropriate*)

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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.

(iii) Market risk (Continued)

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	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities	0	0	0

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

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Notes to the financial statements (continued)

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
2023 Current FY			
Euro	10%	0	0
USD	10%	0	0
2023 Previous FY		0	0
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. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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 2023 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
At 30 June 2022	0	0	0	0
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

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

Financial instruments not measured at fair value

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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:

	Insert Current FY Kshs	Insert Comparative FY Kshs
Revaluation reserve		
Retained earnings	0	0
Capital reserve	0	0
Total funds		
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/ (excess cash and cash equivalents)	0	0
Gearing		

30. Incorporation

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

31. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

The company has not yet received an audit certificate for fy 2021/2022

Name *Fredrick Atwa*

Signature 

Managing Director

Date.....*15/09/2023*.....

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Sl. No.	Project Name	Location	Period / Duration	Value / Estimated	Contract / Agreement / Reference No.	Consolidated Financial Statement (Yes/No)
1						
2						

No project carried out in fy 2022/2023

Status of Projects completion

Sl. No.	Project	Total project cost	Total expended to date	Completion % to date	Budget	Actual	Source of funds
1							
2							
3							

No project carried out in fy 2022/2023

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Appendix III- Inter-Entity Confirmation Letter

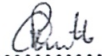
Kakamega County Rural Water and sanitation Company LTD

The Kakamega County Rural Water and sanitation Company LTD wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Kakamega County Rural Water and sanitation Company LTD as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2023				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	June 2023	19,961,015	0	0	19,961,015	19,961,015	0
	July to June 2023	2,748,719	0	0	2,748,719	2,748,719	0
Total		<u>22,709,734</u>	<u>0</u>	<u>0</u>	<u>22,709,734</u>	<u>22,709,734</u>	<u>0</u>

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

Head of Accountants department of beneficiary entity:

Name Faith Ritto Sign  Date 15/09/2023

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Appendix IV: Reporting of Climate Relevant Expenditures

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

No expenses under climate expenses

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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

No expenses were done under disaster management

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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 specific	
County Government of Kakamega	Nov to April 2023	Recurrent	19,961,015	19,961,015	0	0			19,961,015
KCWASCO		Recurrent	2,748,718	2,748,718	0	0			2,748,718
USAID		Donor Fund							
Total			22,709,734	22,709,734					22,709,734