

Scanned.

REPUBLIC OF KENYA



Enhancing Accountability



PARLIAMENT
OF KENYA
LIBRARY

REPORT

PAPERS LAID	
DATE	8/11/2022
TABLED BY	Senate Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	I. Mbaya.

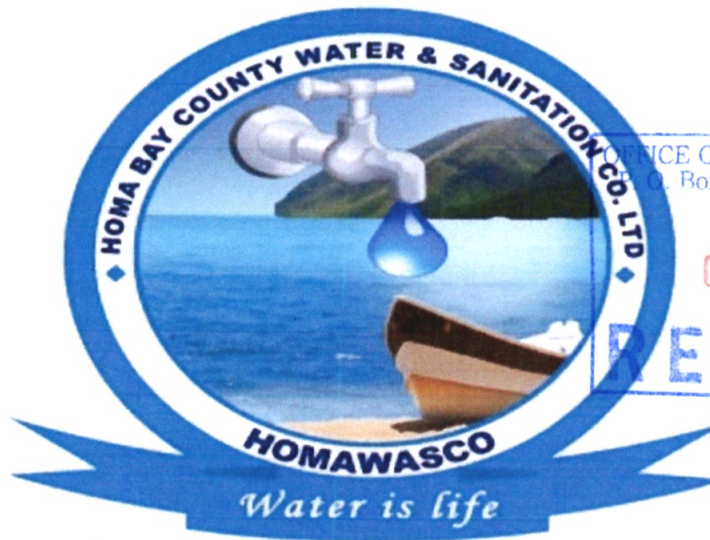
OF

THE AUDITOR-GENERAL

ON

**HOMA BAY COUNTY WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
REGISTRY

02 SEP 2022

RECEIVED

HOMA BAY COUNTY WATER & SANITATION CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Table of Contents	Page
I KEY ENTITY INFORMATION.....	ii
II THE BOARD OF DIRECTORS.....	iv
III MANAGEMENT TEAM.....	viii
IV CHAIRMAN'S STATEMENT.....	xi
V REPORT OF THE MANAGING DIRECTOR.....	xii
VI STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR 2020-2021.....	xiii
VII CORPORATE GOVERNANCE STATEMENT.....	xvi
VIII MANAGEMENT DISCUSSION AND ANALYSIS	xviii
IX ENVIRONMENTAL & SUSTAINABILITY REPORTING.....	xxi
X REPORT OF THE DIRECTORS.....	xxiii
XI STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxiv
XII REPORT OF THE INDEPENDENT AUDITORS ON HOMABAY COUNTY WATER & SANITATION CO.....	xxv
XIII STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME & EXPENDITURE.....	1
XIV STATEMENT OF FINANCIAL POSITION.....	2
XVI STATEMENT OF CASH FLOWS.....	3
XVII STATEMENT OF CHANGES IN EQUITY.....	4
XVIII STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XIX NOTES TO THE FINANCIAL STATEMENTS.....	8

I KEY ENTITY INFORMATION

Background information

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

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

Principal Activities

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

Directors

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

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

NOTE: Member CEC-Member of County Executive Committee

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

Registered Offices

Homa Bay County Water and Sanitation Company Ltd

Kendu - Homa Bay Road/Highway

P.O. Box 4, 40300

Homa Bay, KENYA

Corporate Headquarters

Homa Bay County Water and Sanitation Company Ltd

County Assembly Road,

Next to New TSC -Nyanza Regional Offices

P.O. Box 4, 40300...

Homa Bay, KENYA

Corporate Contacts

Telephone: +254717428030

E-mail: homawater@yahoo.com/ homawater@gmail.com

Corporate Bankers

1. Kenya Commercial Kenya

Homa Bay Branch

P.O. Box,40300, Homabay
Kenya

2. Co-operative Bank of Kenya

Homa Bay Branch
P.O. Box,40300, Homabay
Kenya

3. Equity Bank Ltd

P.O.Box Homa Bay Branch
Kenya

Auditors

Auditor General

Kenya Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO - 00100

Nairobi, Kenya

Company Secretary

1. Olotch & Company Advocates

Advocates, Commissioners for oaths & Certified Public Secretaries




Queensway House



5th floor, Kaunda Street



P.O. Box 7146-00100

Nairobi, Kenya


II. THE BOARD OF DIRECTORS- DURING THE YEAR 2020/21

<p>1. Dir.Prof. George O. Krhoda</p> 	<p>Age : 66 Qualifications: CBS,BED(HONS),M Aand PhD</p>	<p><u>CAREER PROFILE</u> He is an Associate professor University Of Nairobi, Vice Chair Daystar university, a specialist in Hydrology and water resource management, Managing Director of Research on environment and development planning (REDPLAN) consultants ltd, former permanent secretary ministry of water and irrigation, among others. Prof. Krohda is the current chairperson of the board.</p>
<p>2. Dir. Zablon Were</p> 	<p>Age : 61 Diploma Electrical Engineering (Related trainings locally and abroad)</p>	<p><u>CAREER PROFILE</u> Has vast experience in electrical engineering, having worked with Africa Synthetic Fibres and Sunflag Textiles</p>
<p>3. Dir. Millicent Matengo</p> 	<p>Age: 53 years Qualifications</p> <ul style="list-style-type: none"> • Certificate in Business Management • Financial literacy Program 	<p><u>CAREER PROFILE</u> Has had a vast experience in business management including real estate management. Has held a position of Secretary in the Kenya booksellers Association – Kenya, currently the managing director of Maam Bookshop and other enterprises.</p>


<p>4. Dir. Isdorah Akinyi</p> 	<p>Age: 34yrs Qualifications:</p> <ul style="list-style-type: none"> • Degree in Gender and Development Studies • Diploma in Project Management • Diploma in Management of Information Systems 	<p><u>CAREER PROFILE</u> Has vast experience in project management of development projects, having previously worked with Catholic Relief Services and APHIA plus as a project Coordinator. Currently a business lady running her own Pharmacy (Domakis Pharmaceuticals Limited) and an Events Planner.</p>
 <p>5.Dir. Lenjulians Onano</p>	<p>Age: 34yrs Qualifications Higher diploma in Project Planning & Management Diploma in Monitoring & Evaluation Diploma in Criminology</p>	<p><u>CAREER PROFILE</u> Has served in different ranks in Government security institutions. He is currently working in County department of Water & Environment and is a shareholder director in the Board, representing the Parent Ministry. He is also a partner in a Private Crimes investigation company.</p>

	<p>Age:49 Qualifications: MBA, CPA(K)</p>	<p><u>CAREER PROFILE</u> Has vast managerial experience having worked in the sugar industry and higher education sector for a long time. He sits in the board as an executive director.</p>
	<p>Age:48 Qualification: Bcom, ;MBA strategic Management</p>	<p><u>CAREER PROFILE</u> Worked in top management of KRA for over 20 years.</p>
<p>10. CS Pamela Ochieng Olotch</p>	<p>Olotch &Company Advocates</p>	

INCOMING DIRECTOR

<p>1. DIR. ELECTOR A. OPAR</p>		<p>Age:52 Qualification: MA(Community Development),BA(Psychology &Sociology)</p>	<p><u>CARRER PROFILE:</u> Currently County Director Youth Development Homa Bay County, Worked with Ministry of Youth affairs and sports as Principal Youth Development Officer, Deputy Provincial Director of Culture and headed the Visual arts and indigenous health and nutrition Department.</p>
--------------------------------	---	--	--




OUTGOING DIRECTOR





<p>1. DIR. MILLISCENT MATENGO</p> 	<p>Age: 53 years</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Certificate in Business Management Financial literacy Program 	<p><u>CAREER PROFILE</u></p> <p>Has had a vast experience in business management including real estate management.</p> <p>Has held a position of Secretary in the Kenya booksellers Association – Kenya, currently the managing director of Maam Bookshop and other enterprises.</p>
---	---	--

BOARD COMMITTEES:

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

III. MANAGEMENT TEAM

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

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

IV. CHAIRMAN'S STATEMENT

It is my pleasure on behalf of the Board, to present to you this annual report for the financial year ended 30 June 2021. Homa Bay County Water And Sanitation Company remains focused on the path of post COVID 19 recovery and expansion program taking place currently. The financial year 2020/21 has been a very tough year for us as a utility dealing in core intervention element in fight against pandemic. During first half of the year under review, condition forced us to provide water which is our key product for free to consumers. At the same point in time, our revenue collection dived low to 40% rendering most of our business activities scaled down considerably. Economic lockdowns were a common place throughout the year, coming with its usual effects on our resources. Am happy to state here that with all these, our management team and staff resiliently survived the onslaught with vigour and creativity to maintain continuous water supply and sustainable financial management. Together with funding support from our development partners, County Government and National Government, we remained a float when others closed shop due to economic down turn. Our aim to turn around the company to greater heights is still on course and wish to state that we are on positive recovery path. We are expecting three of our newly installed production plants to pick up and commence production in the next financial year with over twenty thousand cubic meters per day to trickle in. our focus will always remain provision of clean, reliable and affordable water to the communities within Homa bay county. We will continue sourcing funds from various partners to carryout massive last-mile water connectivity to ensure that in the next two years from now, more than half of Homa Bay population get clean water. This will not exclude rural population which also falls within our operational target next financial year. In this respect, we target Sindo, Ndhiwa, Kanyadhiang, ngegu and Kosiga dam in Rangwe to get water supply from various sources. This will add value to our process in terms of water provision and the community around will also get satisfactory service.

I must thank my fellow Board members and committee chairpersons, for their selfless service and dedication to fulfil their oversight mandate. It has been a beehive of activities during the year with meetings after meetings for the course of company's sustainability. We are

V. REPORT OF THE MANAGING DIRECTOR

Introduction

This report highlights and outlines the activities and actual performance of Homa Bay County Water and Sanitation Company for the year ended 30th June 2021. It is pleasing to note that despite the challenges the operating environment continues to pose, the Company has managed to supply quality water to its valued customers with minimum disruptions in the year. Financing major capital works in order to satisfy the growing water demand and reducing the levels of unaccounted for water in the supply area remained biggest challenges in the year under review

In the FY 2020/21, the company continued with its effort towards improvement of revenues and operations stabilization. The company recorded turnover of Kshs 113,235,440 against operating expense of Kshs 120,318,688, leaving a total operating deficit before tax of Kshs. 7,083,248.

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

However, the company has been working with various stakeholders to transform itself to a commercially viable enterprise with key focus on service delivery. Kenya Government through Lake Victoria South Water Works Development Agency (LVSWWDA) approved funding for the development of three (3) new water plants in Homa Bay, Oyugis and Kendu Bay. Of all the the three new plants, Homa bay is at 75% completion, Oyugis at 60% and Kendu bay at 65%. This therefore means that in our next financial year reporting two of the three will be ready for production. WASREB has been instrumental in ensuring proper governance of the company through Board training/Board oversight and, the County Government of Homa Bay has been supporting the company in ensuring smooth water supply operations.

We still collaborate with Dunea-Netherlands for capacity development –staff & operations for NRW reduction thus we hope to achieve operational efficiency in the near future. Phase two of our engagement is coming on board in the next financial year at around March 2022, which will see new investments projects being implemented. This together with other proposed projects will give new life in production capacity of the company in the next two years.

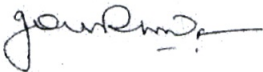
Thank you.


Evans L.O.Nyagol

optimistic that soon our economy will open up, back to normal so that we can push the Board's mandate even further in the coming financial year.

It is also my hope that all stakeholders will continue supporting the company in all the ways possible as they have always done in the past. Together we shall win.

Thank You All



Prof. George O. Khroda
Chairman – Board of Directors

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

Theme 1: Water and sewerage infrastructure development

Theme 2: Operation Efficiency

Theme 3: Financial Sustainability

Theme 4: Human Resource Development

Theme 5: Customer Service

HOMAWASCO develops its annual work plans based on the above five themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2020/2021 period for its five strategic themes, as indicated below:

Strategic Theme 1: Water and sewerage Infrastructure Development

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

Activities

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

Key performance Indicators:

- 1) Completed and commissioned water supply schemes

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

Strategic Theme 2: Operation Sustainability (Efficiency)

Objectives:

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

Activities:

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

Key performance Indicators:

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

Strategic Theme 3: Financial Sustainability

Objectives:

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

Activities:

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

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

Key performance Indicators:

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

Strategic Theme 4: Human Resource Development

Objectives:

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

Activities:

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

Key performance Indicators:

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

Strategic theme 5: Customer Services

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

Activities:

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

Key performance Indicators:

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

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

VII. CORPORATE GOVERNANCE STATEMENT

a) Board Meetings and Attendance

During the year 2020/2021, the Board had a total of twenty five sittings. These comprised of seventeen committee sittings, seventeen full board meetings and one AGM sitting. During these sessions all board members were in attendance.

b) Succession Plan

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

c) Board Charter

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

d) Recruitment and Removal Process

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

e) Roles And Functions

Functions of HOMA WASCOSCO Board of Directors are:

- Develop the Company's approach to, and disclosure of, corporate governance practices and oversee the development by the governance, ethics and its compensation.
- Ensure that strategic planning process is in place and approved, at least on an annual basis, a strategic plan which may take into account, among other things, the longer term opportunities and risks of the business;
- Approve the Company's annual operating and capital budgets;
- Review operating and financial performance results in relation to the Company's strategic plan and budgets.
- Approve all significant decisions outside of the ordinary course of the Company business, including major financings, acquisitions, and dispositions or material departures from the strategic plan or budgets;

- Review the disclosure in the Company public disclosure documents relating to corporate governance practices and conduct a periodic review of the relationship between management and the Board, particularly in a view to ensure effective communication and the provision of information to directors in a timely manner;
- Approve all the Company's policies and other management systems

f) Induction And Training

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

g) Conflict of Interest

Its always the practice to declare conflict of interest before proceedings where a directors has an interest. No cases of conflict of interest were shown during the year 2020/2021.

h) Board remuneration

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

i) Ethics and Governance audit

No Governance audit was carried out during the said period.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE OVERVIEW

1.0 INTRODUCTION

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

1.1 REVENUES

The company achieved a turnover of **Ksh.113.2million** against a budget of **Kshs 256.0million** representing **44%** performance, with a total expenditure of **Ksh. 120.3million** leaving a deficit before tax of **Kshs.7.08million**. The total revenue is made up of company water & sewerage sales at **Kshs 60.4million**, Grants from County Government at **Kshs 25.1million** in electricity bills and grants from other development partners of **Kshs 27.8million**. The company achieved an average monthly billing of **Kshs 4.5 Million** and an average monthly collection of **Ksh 4.9million**. The company had an average collection efficiency of **109%** which is within the Water Sector benchmark of **>95%** and an average of **45%** Non-Revenue Water level against a sector benchmark of **<25%**.

The total connections in the year under review stood at **8,600** with **5,500** active connections and **3,100** dormant connections. Metering ratio was at **100%** against a sector benchmark of **100%** metering. The **100%** metering refers to active connections only.

The major impediments on the achievement of the budget was non achievement of production target due to in adequate production capacity within the plants. It was envisaged that the three new plants will be ready for operation during the year under review but it did work as planned. The revenue from Donor grants also fell short of the target during the year by **64%** leading to reduced expenditure in project activities.

1.2 EXPENDITURES

The company incurred total operational expenditures of **Kshs. 120.3million** against a budget of Kshs. **250.4million**. These amounts included Grants from County and National government for both operational and capital activities. The cost recovery rate of the company stood at 79% against a sector benchmark of >100%. This is due to the suppressed sales as explained above.

1.3 COMPLIANCE WITH REGULATORY REQUIREMENTS

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

	<u>2019/20</u>	<u>2020/21</u>
WASREB-	1,467,502.00	3,341,502
WRA -	29,705,000.00	1,255,384
LVSWWDA	24,511,441.00	24,511,441
TOTAL	<u>55,683,914.00</u>	<u>29,108,327</u>

1.4 RISKS

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

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

1.5 DEVELOPMENTS

As was stated here last financial year the major projects at Oyugis and Kendu Bay are about to start operation any time during this financial year. Homa Bay completion rate is at 95% with partial handover already done in some parts. This will boost production in Homa bay pipelines before the end of financial year, leading to enhanced revenue. New boreholes such as Rodi, Majiwa, Oluodo, Adongo, Wiamen are already operational with encouraging growth in new customer registration.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**i) Sustainability strategy and profile -**

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

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

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

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

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

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

ii) Environmental performance

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

iii) Employee welfare

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2021, which show the state of HOMA WASCOS affairs.

Principal Activities

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

Results

The results of the entity for the year ended 30 June 2021 are set out on pages 1-6

Directors

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

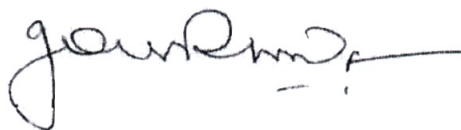
Auditors

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

Dividends

The directors do not propose any dividend for the year.

By Order of the Board



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

Date: 25/2/2022

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

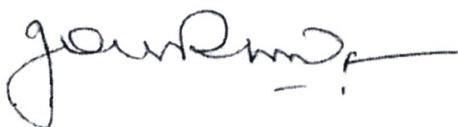
The Directors are responsible for the preparation and presentation of the *company's* financial statements, which give a true and fair view of the state of affairs of the *company* for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the *company*;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the *company's* financial statements give a true and fair view of the state of *company's* transactions during the financial year ended June 30, 2021, and of the *Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the *company's* financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The *company's* financial statements were approved by the Board on 25/2/ 2022 and signed on its behalf by:



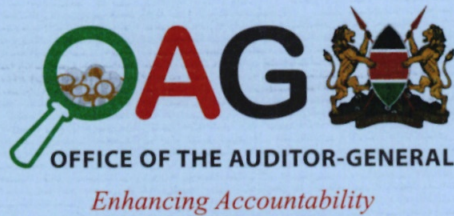
Board Chairman
Prof. George Krhoda



Managing Director
Evans Nyagol

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON HOMA BAY COUNTY WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 Homa Bay County Water and Sanitation Company Limited set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Homa Bay County Water and Sanitation Company Limited as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Unsupported Revenue

The statement of profit or loss and other comprehensive income reflects revenue of Kshs.57,366,021 as disclosed in Note 9 to the financial statements. The amount includes revenue from water sales and sewerage amounting to Kshs.52,350,201 which was not supported with monthly meter readings, customer invoices, and payments. In addition, the amount includes water tanker and exhauster income of Kshs.5,015,820 which was not supported with details of individual customer receipts or invoices and records of water drawn from the various water reservoirs or exhauster services.

In the circumstances, the accuracy and completeness of revenue of Kshs.57,366,021 could not be confirmed.

2.0 Unsupported Accrued Liabilities

The statement of financial position reflects accrued liabilities of Kshs.61,281,268 as disclosed in Note 24 to the financial statements. The amount relates to unpaid regulatory levies and accrued expenses which were not supported by schedules indicating aging of these liabilities.

In the circumstances, the accuracy and completeness of the accrued liabilities of Kshs.61,281,268 could not be ascertained.

3.0 Unsupported Trade Payables

The statement of financial position reflects trade payables of Kshs.15,085,858 and as disclosed in Note 25 to the financial statements. The amount includes Kshs.14,983,269 which was not supported with approved requisitions, quotations, Local Purchase Orders or Local Service Orders, goods received notes, and store ledger records.

In the circumstances, the completeness and accuracy of the trade payables of Kshs.14,983,269 could not be confirmed.

4.0 Inaccuracies in Customers Deposits

The statement of financial position reflects customer deposits of Kshs.6,306,355 as disclosed in Note 26 to the financial statements. However, review of customer deposits' bank account statements revealed a credit balance of Kshs.318,215 resulting in an unexplained and unreconciled variance of Kshs.5,988,140.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.6,306,355 could not be confirmed.

5.0 Failure to Transfer Shareholding

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

In the circumstances, the ownership of the Company could not be confirmed.

6.0 Erroneous Prior Year Adjustments

The statement of changes in equity reflects prior year adjustments of Kshs.20,514,484 comprised of ordinary share/initial capital of Kshs.1,054,991 and retained earnings of Kshs.19,459,493. However, the presentation is not in line with International Public Sector Accounting Standard (IPSAS) 3 which requires all prior year adjustments to be effected through the previous period balances.

In the circumstances, the accuracy, completeness, presentation, and disclosure of prior year adjustments of Kshs.20,514,484 could not be confirmed

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

Material Uncertainty Related to Going Concern

Note 3 to the financial statements states that the Company made a loss of Kshs.7,083,248 which resulted in depletion of retained earnings which stood at negative Kshs.25,173,118. In addition, the Company's total current liabilities of Kshs.82,673,481 exceeded the total current assets of Kshs.59,627,873 resulting in negative working capital of Kshs.23,045,608. Although Management has disclosed the issue in the financial statements, Management did not provide measures taken to change the situation. In the

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

My opinion is not modified in respect of 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.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis totalling Kshs.256,338,121 and Kshs.113,235,440 respectively, resulting in underfunding of Kshs.143,102,681 or 56% of the budget. Similarly, the Company spent an amount of Kshs.120,318,688 out of the approved expenditure budget of Kshs.250,403,219, resulting in an under expenditure of Kshs.130,084,531 or 52% of the budget.

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

2.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Other Information

The Management are responsible for the other information, which comprises The Chairman's Statement, Report of the Managing Director, the statement of corporate governance, management discussions and Analysis, Statement of Corporate Social Responsibility and Statement of Directors Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Implementation of Projects

The statement of financial position reflects property, plant, and equipment balance of Kshs.150,008,437 as disclosed in Note 27 to the financial statements. The amount includes capital work in progress of Kshs.51,593,579 which includes Kshs.14,639,391 for the rehabilitation and agglomeration of the Ndhiwa-Mirogi water supply and Kshs.32,438,711 for the rehabilitation Mbita – Rusinga water supply project. However, both projects were not listed in the annual approved budget and procurement plan. This was contrary to Section 53 (2) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

2.0 Unremitted Statutory Deductions

The statement of financial position reflects accrued liabilities of Kshs.61,281,268 as disclosed in Note 24 to the financial statements. The balance includes accrued expenses amounting to Kshs.26,391,234 out of which Kshs.658,249 had not been remitted to the Kenya Revenue Authority contrary to Section 37(1) of the Income Tax Act. In addition, Kshs.4,891,273 had not been remitted to the National Social Security Fund contrary to Section 53A (1) of the Retirement Benefits Act, 2012 while Kshs.3,249,646 had not been remitted to the National Hospital Insurance Fund contrary to Section 16(1) of the National Hospital Insurance Fund Act, 2012.

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

3.0 Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was ninety-seven (97) out of which ninety-two (92) or 95% of the total number were members of the same ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community”.

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

The audit was conducted in accordance with 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT, AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the 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

1.0 Non-Revenue Water

The Company produced 1,004,646 cubic meters (M³), of water out of which 552,670 cubic meters (M³) were billed to customers. The balance of 451,975 cubic meters (M³) or approximately 45% of the production volume represents Non-Revenue Water (NRW) which is 20% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The Non-Revenue Water represents a loss of Kshs.19,434,925 in earnings for the Company at the average rate of Kshs.43 per m³.

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

2.0 Failure to Update Fixed Assets Register

The statement financial position reflects property, plant and equipment of Kshs.150,008,437 as disclosed in Note 27 to the financial statements. However, the asset register maintained lacked details of capital expenditure and for water kiosks/buildings; the terms on which they were held, physical address, dates of acquisition, disposal or major change in use, and for furniture and equipment; dates of acquisition or disposals, unique identification numbers and offices issued to.

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

3.0 Lack of a Board Charter

The Company does not have a board charter defining its roles, responsibilities, and functions in the governance of the Company as required by clause 1.11 of the Mwongozo Code of Governance for State Corporations.

In the circumstances, the effectiveness of the Company's governance could not be confirmed.

4.0 Lack of Risk Management Policy and Strategy

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

management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 my audit report. However, future events or conditions may lead the Company to cease as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

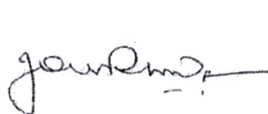
23 September, 2022

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

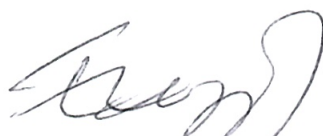
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2021

		2021	2020
		Kshs	Kshs
REVENUES			
Revenue	9	57,366,021	62,693,211
Cost of Sales	10	(37,810,049)	(38,110,119)
GROSS PROFIT		19,555,972	24,583,092
OTHER INCOME			
Donor Grants	11	52,743,908	108,323,312
Miscellaneous Income	12	3,125,511	740,277
		55,869,419	109,063,589
TOTAL REVENUE		75,425,391	133,646,681
OPERATING EXPENSES			
Administration Costs	13	82,061,860	134,964,511
Finance Costs	14	446,779	405,578
TOTAL OPERATING EXPENSE		82,508,639	135,370,089
PROFIT/(LOSS) BEFORE TAXATION		(7,083,248)	(1,723,409)
INCOME TAX EXPENSE	15	-	-
PROFIT/(LOSS) AFTER TAXATION		(7,083,248)	(1,723,409)



Prof. George Krhoda
Board Chairman
Date



Evans L. Nyagol
Managing Director
Date




CPA Samuel O. Ngicho
Finance Manager: ICPAK REG. 10603
Date 25/2/2022

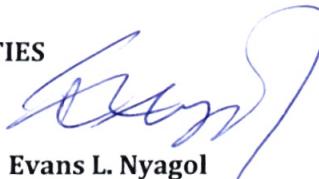
HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

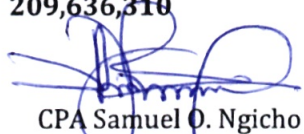
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

ASSETS	NOTE	2021 Kshs	2020 Kshs
Non-Current Assets			
Property, Plant and Equipment	27	150,008,437	85,018,681
Total Non-Current Assets		150,008,437	85,018,681
Current Assets			
Inventories	16	1,117,396	1,306,060
Net Trade and other receivables	17	57,349,568	54,126,317
Cash and cash equivalents	18	1,060,909	242,414
Amount Owed By Shareholders	19	100,000	100,000
Total Current Assets		59,627,873	55,774,791
TOTAL ASSETS		209,636,310	140,793,471
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital/Initial Capital	20	2,831,702	1,776,711
Retained earnings	21	(25,173,118)	(37,549,363)
Capital Reserves	22	37,724,252	37,724,252
Capital and Reserves		15,382,836	1,951,600
Non-Current Liabilities			
Deferred Income - Grant	23	111,579,993	42,094,782
Total Non-Current Liabilities		111,579,993	42,094,782
Current Liabilities			
Accrued Liabilities	24	61,281,268	76,461,966
Trade payables	25	15,085,858	14,983,269
Customer Deposits	26	6,306,355	5,301,854
Total Current Liabilities		82,673,481	96,747,089
TOTAL EQUITY AND LIABILITIES		209,636,310	140,793,471


 Prof. George Krhoda
 Board Chairman
 Date


 Evans L. Nyagol
 Managing Director
 Date


 CPA Samuel O. Ngicho
 Finance Manager:ICPAK REG. 10603
 Date 25/2/2022

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2021

	<u>Notes</u>	<u>2021</u> <u>Kshs</u>	<u>2020</u> <u>Kshs</u>
<u>Cash flow from operating activities:</u>			
Net profit/Loss		(7,083,248)	(1,723,409)
Prior Year Adjustment	6(v)	19,459,493	-
		12,376,245	(1,723,409)
Adjustment for non-cash operations			
Depreciation charge	27	8,785,643	5,799,303
Provision for Bad debts	17	1,610,535	1,424,469
Amortization of Software		-	36,165
Net cash from operating activities		22,772,423	5,536,528
Changes in Working Capital			
Increase/Decrease in Inventories		188,664	797,577
Increase/Decrease in Receivables		(3,223,251)	(12,023,857)
Increase/Decrease in Payables		102,589	(7,335,485)
Increase/Decrease in Accruals		(15,180,698)	12,709,446
Increase/Decrease in bad debts provision		(1,610,535)	(1,424,469)
Customer Deposits		1,004,502	885,801
Net Change in working capital		(18,718,729)	(6,390,987)
<u>Cash flow from Investing activities:</u>			
Fixed Assets Additions	27	(22,181,822)	(6,473,208)
Acquisition of intangible assets		-	-
Work in Progress	27	(51,593,579)	-
Total cash from Investing activities		(73,775,401)	(6,473,208)
<u>Cash flow from Financing activities:</u>			
Cash from deferred income grant	23	69,485,211	5,512,501
Share Capital Account		1,054,991	-
Interest & Commission Received		-	-
Total cash from Financing activities		70,540,202	5,512,501
Increase/Decrease in Cash and cash equivalents		818,495	(1,815,166)
Cash balance at the beginning of the year		242,414	2,057,580
Cash balance at the close of the year		1,060,909	242,414

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2021

	Ordinary share/Initial capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital Reserves	Proposed dividends	Total
At July 1, 2019	1,776,711	-	-	(35,825,953)	37,724,252	0	3,675,010
Transfer of excess to Equity	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment	-	-	-	-	-	-	-
Profit for the year	-	-	-	(1,723,409)	-	-	(1,723,409)
Dividends paid - 2019	-	-	-	-	-	-	-
Interim dividends paid - 2020	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At 30 June 2020	1,776,711	-	-	(37,549,363)	37,724,252	-	1,951,600
At July 1, 2020	1,776,711	-	-	(37,549,363)	37,724,252	-	1,951,600
Reversed excess equity	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment	1,054,991	-	-	19,459,493	-	-	20,514,484
Profit for the year	-	-	-	(7,083,248)	-	-	(7,083,248)
Dividends paid - 2020	-	-	-	-	-	-	-
Interim dividends paid - 2021	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
Transfer of Deferred Income Liability	-	-	-	-	-	-	-
At 30 June 2021	2,831,702	-	-	(25,173,118)	37,724,252	-	15,382,836

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2021

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021
Water Sales	77,904,140	-	77,904,140	40,574,829	37,329,311	52%
Sewerage Income	16,266,460	-	16,266,460	11,775,372	4,491,088	72%
Tanker/ Exhauster Income	9,977,071	-	9,977,071	5,015,820	4,961,251	50%
Other Incomes	5,160,920	-	5,160,920	3,125,511	2,035,409	61%
Grants from Government	147,029,530	-	147,029,530	52,743,908	94,285,622	36%
Total Revenue	256,338,121	-	256,338,121	113,235,440	143,102,681	44%
Expenses						
Personnel Costs	48,414,943	-	48,414,943	32,507,922	15,907,021	67%
Administration Costs	28,352,967	-	28,352,967	26,671,072	1,681,895	94%
Governance Costs	2,646,500	-	2,646,500	1,444,800	1,201,700	55%
Technical Costs	45,176,093	-	45,176,093	37,810,049	7,366,044	84%

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Compliances Levies Costs	4,231,855	-	4,231,855	2,624,157	1,607,698	62%
Project Costs	118,577,050	-	118,577,050	18,813,909	99,763,141	16%
Finance Costs	3,003,811	-	3,003,811	446,779	2,557,032	15%
Total Expenditure	250,403,219	-	250,403,219	120,318,688	130,084,531	48%
Surplus for the period	5,934,902	-	5,934,902	(7,083,248)	13,018,150	

EXPLANATION OF VARIANCES

1. Water Sales

During budgeting, it was anticipated that three new production plants in Oyugis, Homa Bay, Kendu Bay and other rural schemes will start operation within the period 2020/21 but this didn't materialize. The Production target which is the driver of all these other parameters was not achieved hence shortfall in annual revenue. There is hope that most of these new plants may be commissioned and start operating in the next financial year (2021/2022) to boost production.

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

2. Tanker/Exhauster Income

Same as in (1) above, water and exhauster sales rely heavily on the stated factors to record targeted sales volumes. The exhauster trucks rely heavily on learning institutions and other government institutions which were in lock down most of the pandemic period in the last quarter. Two Trucks one for exhausting and the other for Water Broke down in the course of the year. This affected sales output in a big way hence the underachievement of target.

3. Other Income

These are fees and levies such as reconnection charges, new connection fees, surcharges, direct water tanker sales and other miscellaneous fees received during the year. This unit recorded marked improvement from last financial year by 15%. 61% realised this year is much better than 46% over the same period last year. This must be attributed to improved new Connections program and tight measures put in place to control direct water sales from Tankers.

4. Grants from Government and Other Donors

The Grant income of Kshs 52million includes 25million subsidy from county Government of Homa Bay. This is the revenue grant from various donors. Capital Grant from Donors for various investment totalled Kshs 69.5 million during the year. There was underperformance in this area due to inadequate resource mobilization strategies and financial constraint from the donor community due to COVID19 pandemic.

5. Project Costs

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

6. Finance Cost

The finance cost budget included Debt collection and provision for bad debt figures. However, the expenditure was within budget.

Conclusion

The overall expenditure target was not fully absorbed as expected by 52% mostly due to constrained Revenue which also fell short of target by 56%. Management had to operate within the constrained revenue to avoid unnecessary huge losses. Another cause was under performance on production which equally did not meet the budget target. Infrastructural investment failed to materialise due to Less Donor funding which was the major source of financing for this area. The Grant budget under performed by 84% hindering investment plans which was meant to boost production. Without adequate investment in infrastructure, production remained constant hence the underperformance on revenue.

NOTES TO SIGNIFICANT CHANGES IN FINANCIAL AND ACCOUNTING POLICIES

1. GENERAL INFORMATION

Homa Bay County Water & Sanitation Co. Ltd is public liability company registered under the company's act 2015, established by Water Act 2002 (repealed and replaced by water act 2016). The company derives its authority and accountability from Section 164 of the PFM act 2012. The entity is wholly owned by the County Government of Homa Bay and is domiciled in Kenya. The entity's principal activity is the provision of water and sanitation services within Homa Bay County.

2. BASIS OF PREPARATION & STATEMENT OF COMPLIANCE

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

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant are to the financial statements, are disclosed in notes below.

3. GOING CONCERN

The Company made a loss after tax of Kshs 7,083,248 (2020: Kshs 1,723,409) during the year which resulted in accumulated losses totalling Kshs 25,173,118 (2020: retained earnings of Kshs (37,549,363). The directors have not indicated any willingness to discontinue the operations of the company in the next twelve months.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a) Adoption of new and revised standards

Amendment/Interpretation to a standard	Effective Date
IFRS 16: Leases <i>(Issued 13 January 2016)</i>	Effective for annual periods beginning on or 1 Jan 2019

The company is not intending to implement the standard at the moment

b) New and revised standards that have been issued but are not yet effective

IFRS 9: Financial Instruments	Effective for annual periods beginning on or 1 Jan 2018
-------------------------------	---

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Earlier Adoption of Standards

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

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

b) Revenue Recognition

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

i) Provision of Water & Sewerage services

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

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

ii) Grants

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

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

Recurrent grants are recognized in the statement of comprehensive income. Development/ Capital grants are recognized in the statement of financial position as deferred income liability and realized in the statement of comprehensive income over the useful life of such assets as an amortized charge equivalent to the rate of depreciation applied on such assets.

b) In-Kind Donations

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

c) Property, plant and equipment

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

d) The annual depreciation rates in use are:

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

e) Capital Work-in-Progress

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

Listed below are projects in progress during the year:

1. Ndhiwa Borehole and pipeline Rehab	16,516,629
2. Mbita Intake and Pipeline Rehab	32,874,976
Total	49,391,605

f) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from years that they are available for use, usually over three years. No intangible cost was incurred during the year.

g) Inventories

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

h) Trade and other Receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on review of all outstanding amounts by the year end. Bad debts are written off after all efforts at recovery have been exhausted. The company used specific listing method to provide for bad debts.

i) Cash and Cash Equivalents

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

j) Trade and other payable

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

k) Retirement benefit obligations

The entity does not have defined contribution scheme for all employees since they are all on contract terms. The company only contributes to the Defined Benefits statutory scheme

(National Social Security Fund NSSF). This is a defined Contribution scheme registered under the NSSF act.

l) Provision for staff leave pay

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

m) Comparative figures

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

n) Translation of foreign currencies

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

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

6. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a) Critical judgements in applying accounting policies

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

b) Key sources of estimation uncertainty

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

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

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

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

iv) Provisions for Doubtful Debts

Provisions are raised and management determines an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligations at the reporting date, and are discounted to present value where the effect is material. During the year, provision for bad debts was made based on a rate at 2.56% per annum where the recoverability of the said debts is presumed to be in doubt. A total figure of Kshs 5.684million has been generally pronounced subject to further scrutiny and follow-up before write-off.

v) Prior year Adjustments

An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information. If none is specified, or if change is voluntary, the new accounting policy is applied retrospectively by restating prior year periods. If it is impracticable to determine period-specific effects for retrospective application, the new accounting policy is

applied as of the beginning of the earliest period for which the retrospective application is practicable and cumulative adjustments are made to balances at the beginning of that period. In such a case the new accounting policy is applied prospectively from the start of the earliest period chosen as practicable when the entity cannot determine the cumulative effects of applying the policy to all prior periods. A consolidated figure of Kshs 19,459,493 includes net effect of accrued adjustments in the retained earnings due to reconciled data as shown in below.

The following prior year adjustments were made during current year based on reconciliations done from time to time:

Water Resource Authority(WRA)	(28,399,515)
Office of The Auditor General(OAG)	(671,326)
KRA (PAYE account)	798,662
KRA (WHT VAT account)	2,264,018
KRA (WHT IT account)	993,939
KRA (Penalties account)	2,240,861
KRA (Intersect account)	2,258,877
Initial Shares account	1,054,991
Total	(19,459,493)

WRA debt balance of Kshs 28.4million was written off leading to adjustment, while Kshs 8.5million of KRA balances comprise of arrears, Penalties and interest assessed on reconciliation. A reversal adjustment of Kshs 1.05million was done after the said amount was erroneously posted as Initial capital account in the previous years.

vi) Differed Income

During the year, an additional capital grants continued to flow in from different partners and this was captured in the balance sheet as differed income liability while corresponding depreciation was amortized in the profit and loss accounts accordingly.

a) Key management compensation

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

	2020/21 Kshs	2019/20 Kshs
Salaries and other short-term employment benefits	4,863,200	4,603,620

b) Directors' remuneration

	2020/21 Kshs	2019/20 Kshs
Fees for services as director	411,800	853,500
Other emoluments included in employee benefits (Note 4)	1,033,000	1,278,000
Total	1,444,800	2,131,500

Note 8 Financial Risk Management

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

a) Credit Risk Management

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

	Fully Performing <u>KSh</u>	Past due not impaired <u>KSh</u>	Impaired <u>KSh</u>	Total amount <u>KSh</u>
Due from Trade receivables	39,113,003	6,902,294	(5,684,616)	40,330,681
Other Receivables	6,575,727	9,893,582	-	16,469,309
Staff Imprests & Advances	549,009	-	-	549,009
Bank and cash balances	1,060,909	-	-	1,060,909
Amount Owed By Shareholders	-	100,000	-	100,000
At 30th June 2021	47,298,648	16,895,876	(5,684,616)	58,509,908

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Due from Trade receivables	38,568,003	4,073,513	-	42,641,516
Other Receivables	5,636,262	9,370,814	-	15,007,077
Staff Imprests & Advances	356,238	-	-	356,238
Bank and cash balances	242,414	-	-	242,414
Amount Owed By Shareholders	-	100,000	-	100,000
At 30th June 2020	44,802,917	13,544,328	-	58,347,244

b) Liquidity Risk Management

Liquidity is managed to ensure sufficient cash is available to meet the Company's obligations as they fall due. Cash forecasts are prepared monthly and all cash requirements are met from operational income. The Company's financial liabilities that will be settled on a net basis are as follows:

	Within 12 months	Over 12 months		Totals
	Sh.	Sh.		Sh.
Trade payables	6,712,571	8,373,286		15,085,857
Accruals	20,923,389	38,857,721		59,781,110
Customer's deposits	950,220	5,356,135		6,306,355
At 30 June 2021	28,586,180	52,587,142	-	81,173,322
Trade payables	4,652,969	10,000,000		14,652,969
Accruals	16,316,880	60,000,000		76,316,880
Customer's deposits	885,800	4,416,054		5,301,854
At 30 June 2020	21,855,649	74,416,054	-	96,271,703

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 9	REVENUES	2021	2020
Note 9a	WATER SALES	Kshs	Kshs
	Water sales-billing	39,874,708	36,725,132
	Water sales-Cash	700,121	1,211,517
	Sewerage	11,775,372	13,612,061
		<u>52,350,201</u>	<u>51,548,710</u>

Note9b WATER TANKER AND EXHAUSTER INCOME

	2021	2020
Water Tanker Income-Direct	3,446,320	3,427,471
Water Tanker Income-Credit	-	1,710,530
Exhauster Income	1,569,500	1,564,300
Water Sales to County	-	4,442,200
	<u>5,015,820</u>	<u>11,144,501</u>

REVENUES	<u>57,366,021</u>	<u>62,693,211</u>
-----------------	--------------------------	--------------------------

Note 10 COSTS OF SALES

a) Production Costs	2021	2020
	Kshs	Kshs
Chemical Usage	5,546,409	4,097,590
Electricity cost	25,124,459	25,917,686
Laboratory Goods/Services supplies	104,300	155,900
	<u>30,775,168</u>	<u>30,171,176</u>

b) Operations and Maintenance Costs

Pipeline Repair & Maintenance	2,765,075	1,953,670
-------------------------------	-----------	-----------

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Plant Repair & Maintenance	265,140	1,429,110
Sewerage Repair & Maintenance	230,250	234,170
	3,260,465	3,616,950

c) Tanker and Exhauster cost	3,774,416	4,321,993
-------------------------------------	-----------	-----------

Total Cost of Sales	37,810,049	38,110,119
----------------------------	-------------------	-------------------

Note11	GRANTS	Kshs	Kshs
	County Government subsidy	25,924,459	65,872,523
	WSTF Grant	4,003,250	6,775,250
	Dunea Grants	15,246,289	29,840,766
	KeNHA	-	-
	Jiangxi Transport Engineering	3,000,000	1,123,689
	Regnon Ltd	1,169,910	2,395,242
	Belgium-CMI	3,400,000	2,315,842
	TOTAL GRANTS	52,743,908	108,323,312

Note 12	MISCELLENEOUS INCOME		
	New Connection fees	845,468	506,404
	Reconnection fess	104,600	120,320
	Other Income	386,275	113,552
	Differed income amortised	1,789,168	-

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	<u>3,125,511</u>	<u>740,276</u>
GROSS REVENUES	<u>113,235,440</u>	<u>171,756,799</u>
Note 13 ADMINISTRATION COSTS		
Note 13a		
Computer repairs	87,000	-
Guest Tea & Entertainment	54,650	-
Directors' emoluments	-	-
Electricity and water	25,000	-
Communication services and Telephone	920,173	817,073
Transportation, travelling and subsistence	1,840,930.00	1,347,835
Advertising and public communications	-	-
Hire of Transport	74,000	-
Rent	240,000	360,000
Staff training expenses	-	-
BOD Expenses	-	-
Insurance costs	-	22,574
Dues and subscriptions	-	-
Office and general supplies and services	-	320,282
Auditors' remuneration	250,000	501,000
Professional services & fees	1,810,671	307,380
Repairs and maintenance	208,530	-
Postage and Delivery	-	-

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		15,950
Motor vehicle running expenses	6,475,755	3,806,663
Printing & Stationery	790,835	1,231,359
Protective Gear & Uniforms	-	-
Staff Welfare	-	-
Security	-	250,000
Resource Mobilization Costs	-	-
Recruitment Costs	204,800	785,275
M & E Costs	884,100	546,129
PR/Corporate affairs Costs	525,920	1,848,110
Debt Collection	1,882,530	1,424,469
Provision for Bad debts	1,610,535	-
Depreciation Costs	8,785,643	5,835,470
Project Costs	-	
	26,671,072	19,419,569

Note 13b PERSONNEL COSTS

Staff costs (Note 14b)	31,281,361	28,124,657
Casual wages	803,421	943,921
Staff Welfare	161,140	108,850
Staff training expenses	26,200	710,073
Interns Stipends Allowances	235,800	245,000
Protective Gear & Uniforms		
	32,507,922	30,132,501

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 13c	STAFF COSTS	2021 Kshs	2020 Kshs
	Salaries and allowances of Contract employees	30,244,731	27,173,317
	Compulsory national social security schemes	1,036,630	951,340
	Gratuity	-	264,735
		<u>31,281,361</u>	<u>28,389,392</u>
	Permanent employees – Management		
	Permanent employees – Unionisable		
	Temporary and contract employees	102	96

Note 13d	GOVERNANCE COSTS	2021 Kshs	2020 Kshs
	Directors' Emoluments	411,800	853,500
	BOD Expenses	1,033,000	1,278,000
		<u>1,444,800</u>	<u>2,131,500</u>

Note 13e	COMPLIANCE LEVIES COSTS	2021 Kshs	2020 Kshs
	Abstraction charges	558,136	-
	Lease Fees-L.V.S.W.W.D.A	-	-
	Water Regulatory levy-	2,066,021	1,262,945
		<u>2,624,157</u>	<u>1,262,945</u>

Note 13f	PROJECT COSTS	2021 Kshs	2020 Kshs
	Timiza Usafi Project	10,054,515	25,132,151
	WSTF Project	3,375,250	6,774,006
	Kajona Phase 2 Project		

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Rural Water Supply Project	206,542	2,013,156
Jiangxi Transportation Engineer	3,000,000	1,123,613
AfDB Projects	338,250	1,038,530
Disaster Management Costs	-	39,464,060
KeNHA	-	-
Resource Mobilization	808,800	1,761,608
Belgium Project-CMI	1,030,552	2,315,431
Regnol Projects	-	2,395,442
Total project costs	<u>18,813,909</u>	<u>82,017,997</u>
TOTAL ADMINISTRATION COSTS	<u>82,061,860</u>	<u>134,964,511</u>

Note 14	FINANCE COSTS	2021	2020
	Finance Costs	446,779	405,578
		<u>446,779</u>	<u>405,578</u>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 15	INCOME TAX EXPENSE	2021 Kshs	2020 Kshs
	Profit/loss before tax	(7,083,248)	(1,723,409)
	<u>Tax effect of Income not subject to tax</u>		
	Deferred Income		-
	Operational lease rentals income	-	-
	New connections	-	-
	Reconnection fee	-	-
	Total Grant Income	-	-
		(7,083,248)	(1,723,409)
	<u>Disallowable expenses subject to tax</u>		
	Depreciation	8,785,643	5,835,470
	Amortization intangible assets	-	-
	Provision for depreciation	1,610,535	-
	Total project costs	-	-
	County Government -Electricity subsidy	-	-
		10,396,178	
	Wear and Tear	(8,785,643)	(5,835,470)
		(5,472,712)	(1,723,409)
	Tax loss c/f	(1,641,814)	(517,023)
		2021	2020

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		2021 Kshs	2020 Kshs
Note 16	Inventories		
	Donation in Kind	774,051	774,051
	Chemical balances	<u>343,345</u>	<u>532,009</u>
TOTAL		<u>1,117,396</u>	<u>1,306,060</u>

		2021 Kshs	2020 Kshs
Note 17	Trade and Other Receivables		
	Homa Bay Scheme		
	Oyugis Scheme		
	Mbita Scheme		
	Kendu Bay Scheme		
	West Karachuonyo Scheme		
	Gross trade and other receivables	<u>46,015,298</u>	<u>42,641,516</u>
		<u>46,015,298</u>	<u>42,641,516</u>

Note 17b OTHER RECEIVABLES

County Receivables	10,134,372	9,370,814
Tanker Receivables	2,877,399	2,298,399
Short Term Lending	147,034	147,034
KPLC Deposit	5,000	5,000
VAT Input Asset	3,302,079	3,302,079
Prepayment	3,425	78,750
Staff Advances	442,009	356,238
Staff Imprest receivables	<u>107,000</u>	<u>-</u>
Total other Receivables	<u>17,018,318</u>	<u>15,558,314</u>
Trade and Other Receivables	63,033,616	58,199,830

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Less: Provision for Bad Debts	(5,684,049)	(4,073,513)
Net trade and other receivables	57,349,568	54,126,317

CASH AND CASH EQUIVALENTS

Note 18

	A/C NO:	2021	2020
		Kshs	Kshs
Cash in hand	0.00		
Bank – Co-operative			
Expenditure Account	112004791501	5,493	(856)
Bank – Co-operative Deposit Account	112004791500	318,515	26,419
Bank – KCB Revenue Account	1102291730	49,275	39,584
Bank – KCB Grant Account - KAJONA	1171039492	(766)	(766)
Bank-M-pesa	PAY BILL: 169595	50,397	112,603
Bank-KCB-WAWARE	11772778286	356	356
Postbank-Oyugis	744130009363	4,210	36,615
Postbank-Homa Bay	744130011081	7,370	6,600
Postbank-Mbita	744130011117	2,340	19,360
Equity Bank KES	980277809704	116,975	1,254
Ubsup Homa Bay Project A/c	980279319160	506,744	1,244
		1,060,909	242,414

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 19

AMOUNT OWED BY SHAREHOLDERS

	2021	2020
	<u>Ksh</u>	<u>Ksh</u>
County Government of Homa Bay	100,000	100,000
	<u>100,000</u>	<u>100,000.00</u>

Note 20

ORDINARY SHARE CAPITAL

	2021	2020
	Kshs	Kshs
Authorised:		
5,000 Ordinary shares of Kshs.20 par value eac	100,000	100,000
Initial Capital	2,731,702	1,676,711
	<u>2,831,702</u>	<u>1,776,711</u>
Issued and unpaid:		
5,000 Ordinary shares of Kshs. 20 par value each		

Note 21

RETAINED EARNINGS

	2021	2020
	Kshs	Kshs
Revenue Reserve B/f	(37,549,363)	(35,825,953)
Profit/(Loss) for the Year	(7,083,248)	(1,723,409)
Adjustment for Over/understated Expense B/F	-	-
Prior Year Adjustments	19,459,493	
Capital Reserves	-	
Total balance at end of year	<u>(25,173,118)</u>	<u>(37,549,363)</u>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 22	<u>CAPITAL RESERVES ACCOUNTS</u>	
	<u>2021</u>	<u>2020</u>
Capital Reserve B/f	37,724,252	37,724,252
Capital Reserves	-	-
 Total Balance at the end of year	<u>37,724,252</u>	<u>37,724,252</u>

Note 23	<u>DEFERRED INCOME GRANT</u>	
	<u>2021</u>	<u>2020</u>
	<u>Kshs</u>	<u>Kshs</u>
As At 1 July 2020	42,094,782	36,582,281
Capital Grants Received During the yr	69,485,211	5,512,501
Amortization	-	
 Transferred from Capital Reserves		
 Total balance at end of year	<u>111,579,993</u>	<u>42,094,782</u>

Note 24		
	<u>2021</u>	<u>2020</u>
	<u>Kshs</u>	<u>Kshs</u>
Accrued Liabilities:		
Corporate Levy-LVSWBS	24,511,441	24,511,441
WARMA -Levies	1,813,521	29,705,000
WASREB-Levies	3,533,523	1,467,502
Audit fee	1,755,201	2,176,527
WHT Payable	1,076,906	82,967
VAT Input Liability	(109,224)	(96,157)
Municipal Council	2,087,666	2,087,666
WASPA Subscriptions		

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	221,000	221,000
Accrued Expenses	<u>26,391,234</u>	<u>16,306,020</u>
Total Accrued Liabilities	<u>61,281,268</u>	<u>76,461,966</u>

Note 25

TRADE PAYABLES

	2021	2020
	<u>Kshs</u>	<u>Kshs</u>
Trade payables	<u>15,085,858</u>	<u>14,983,269</u>
Total Trade & Other Payables	<u>76,367,126</u>	<u>91,445,235</u>

Note 26

CUSTOMER DEPOSITS

	2021	2020
	<u>Kshs</u>	<u>Kshs</u>
As At July 1,2020	5,301,854	4,416,054
Deposits Received in the year	1,004,501	885,800
Deposits Refunds	-	-
Total balance at end of year	<u>6,306,355</u>	<u>5,301,854</u>

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 27

PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE									
	Office furniture and fittings	Plant Machinery and Equipment	Water Kiosk /Buildings	Motor vehicles including motorcycles	Computers	Capital work in progress	Generator	Master Meters	Total
	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)	Kshs	Kshs	Kshs
Cost/Revaluation									
As at 1st July 2019	1,061,751	4,126,023	50,579,901	5,890,224	2,411,585	38,605,476	25,000	954,625	103,654,585
Additions	-	5,625,569	-	-	-	-	468,700	378,939	6,473,208
Transfers									-
Disposals	-	-	-	-	-	-			-
As at 30th June 2020	1,061,751	9,751,592	50,579,901	5,890,224	2,411,585	38,605,476	493,700	1,333,564	110,127,793
Depreciation									
As at 1st July 2019	590,689	582,419	12,637,776	3,470,280	1,673,614	-	9,375	345,656	19,309,809
Charge for the year	132,719	1,218,949	2,023,196	1,472,556	723,476	-	61,713	166,696	5,799,305
Eliminated at Disposal									
Impairment loss									-
As at 30th June 2020	723,408	1,801,368	14,660,972	4,942,836	2,397,090	-	71,088	512,352	25,109,114
Net Book Value as at 30 June 2020	338,343	7,950,224	35,918,929	947,388	14,495	38,605,476	422,612	821,212	85,018,679
Cost/Revaluation									

HOMA BAY COUNTY WATER & SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 1st July 2020	1,061,751	9,751,592	50,579,901	5,890,224	2,411,585	38,605,476	493,700	1,333,564	110,127,793
Additions		4,855,730	13,692,703	3,633,389		51,593,579			73,775,401
Transfers			40,807,450			(40,807,450)			-
Disposals	-	-	-	-		-			-
As at 30th June 2021	1,061,751	14,607,322	105,080,054	9,523,613	2,411,585	49,391,605	493,700	1,333,564	183,903,194
Depreciation									
As at 1st July 2020	723,408	1,801,368	14,660,972	4,942,836	2,397,090	-	71,088	512,352	25,109,114
Charge for the year	132,719	1,825,915	4,203,202	2,380,903	14,495	-	61,713	166,696	8,785,643
Eliminated at Disposal									
Impairment loss									-
As at 30th June 2021	856,127	3,627,283	18,864,174	7,323,739	2,411,585	-	132,801	679,048	33,894,757
Net Book Value as at 30th June 2021	205,624	10,980,039	86,215,880	2,199,874	-	49,391,605	360,900	654,517	150,008,437

