REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KAKAMEGA COUNTY WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2019

KAKAMEGA COUNTY WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2019

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

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Key Company Information

Kakamega County Water and Sanitation Company Limited (KACWASCO) was incorporated under the Company Act (Cap 486). Kakamega County took over the operations of from Lake Victoria North Water Services Board (LVNWSB) on July 1, 2016, following a separation of the joint operations for water supply between Busia and Kakamega counties. This was brought about by the new constitution that made water services provision a devolved function. Sustainable Development Goals (SDGs) Goal 6 focuses on achieving universal and equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.

Kenya's Vision 2030 for Water and Sanitation is to ensure that improved water and sanitation are available and accessible to all by 2030. Kenya's Constitution entrenches water as a constitutional right by establishing a right to reasonable standards of sanitation and clean and safe water inadequate quantities.

The Water Act 2016 aligns the water sector with the constitution. The Act defines roles and responsibilities in the delivery of water and sanitation services within the devolution framework.

The Kakamega the County Integrated Development Plan (CIDP) provides the strategic direction and priorities of Kakamega County. It envisions "A wealthy and vibrant county offering high quality services to its residents". Provision of quality water and sanitation services are critical to achieving the County's vision by providing sustainable access to adequate clean and safe water in a clean and secure environment.

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(a) Company Headquarters

Kenfinco Complex

Kakamega-Kisumu Road

P.O Box 1189 – 50100

KAKAMEGA

Tel: 254- 56–30355

Fax: 254-056-31506

(b) Bankers

Co-operative Bank

Kakamega Branch

P.O Box 595– 50100

KAKAMEGA

Family Bank

Kakamega Branch

P. O Box 1815-50100

KAKAMEGA

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(c) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

(d) Principal Legal Adviser

The Attorney General

State Law Office

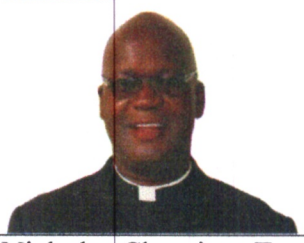
Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

LIST OF BOARD OF DIRECTORS

	NAME & PASSPORT PHOTO	DESIGNATION	QUALIFICATIONS
1	Dr. John Ongenge Wamakonjio 	Chairman of the Board	DOCTOR OF PHILOSOPHY, LANGUAGE EDUCATION MASTER OF EDUCATION BACHELOR OF EDUCATION IN HUMANITIES
2	Prof. Fred Otieno 	Chairman – Technical Committee **(Deceased)**	PHD IN CIVIL ENGINEERING MSc IN CIVIL ENGINEERING BSc IN CIVIL ENGINEERING
3	Rev. Fr. Vincent Sanga Shikundi 	Chairman – Finance & Administration Committee	DEGREE IN THEOLOGY DIPLOMA IN PHILOSOPHY
4	Nicholas Cheruiyot Too 	Chairman – Audit Committee	CERTIFIED PUBLIC ACCOUNTANT OF KENYA – CPA(K)
5	Florence Niva Lung'atso 	Member – Audit Committee	DIPLOMA IN ACCOUNTS

6	Sunitkumar Rajnikant Patel 	Member – Technical Committee	ADVANCED CERTIFICATE IN COMPUTING AND INFORMATION TECHNOLOGY
7	Mrs. Mary Manyonge 	Member – Finance & Admin. Committee	BACHELOR OF EDUCATION KEMI DIPLOMA IN MANAGEMENT KIM STRATEGIC LEADERSHIP COURSE
8	Mr. Charles Maloba 	Ex-Officio Member – Technical Committee	BSC WATER ENGINEERING MSC IN WATER ENGINEERING
9	Mr. John Imbogo 	Ex-Officio Member – Finance Committee	BACHELOR OF COMMERCE, CPA(K) MBA
10	FREDRICK ATWA 	Managing Director / Secretary to the Board	Bachelor of Project Management, Master of Project Planning and Management (Research)

MANAGEMENT TEAM

	NAME	POSITION	QUALIFICATIONS
1	FREDRICK ATWA 	Managing Director	Bachelor of Project Management, Master of Project Planning and Management (Research)
2	MICHAEL OMONDI OGOL 	Technical Manager	Masters (Research), Bsc. Water & Environmental Engineering
3	CHRISTABEL ASHIONO 	Principal Legal Officer	MBA – Strategic Management, Bachelor of Law
4	CPA KIPKEMOI LANGAT 	Ag. Commercial & Finance Manager	B.Comm (Finance), CPA(K), CIFA
5	LINET WASABA 	HR & Administration Manager	Msc. HRM (Research), Bachelor of Business Management (HRM Option), Diploma in I.T

CHAIRMAN'S STATEMENT

Ladies and Gentlemen its my pleasure to outline the following progress and achievements made so far in this Financial year 2018/2019

Mobilization of funds from external source	The Board has mobilized funds from the following; - County Government of Kakamega - 87million for construction of 5000m3 storage water tank - USAID-KIWASH – 28million for pipeline extension in Butere, Bishop Stam and Company branding - SNV – 3million for construction of water sump in Malava and pipeline extension in Kipkaren - PEWAK – 3million for reduction of NRW	The projects will enhance water reliability, increased coverage and revenue.
Regulation of management and operational rural based water schemes	The Board has provided guidelines that will ensure that the schemes once taken over will be sustainable.	This will increase water coverage
Enhanced Donor Partnership within the Company	The Board has created an environment that has enhanced partners like USAID- KIWASH, SNV, KMT and PEWAK	This has led to availability of funds for water infrastructure development
Increased Corporate Governance	The Board has had structured meeting as guided by WASREB and has passed key resolutions that have ensured growth of the Company. - Development of Board Charter - Ensured Board evaluation	This has led to compliance with WASREB regulations and other statutory guidelines and adherence to 2% BoD expense as a percentage of Operation and Maintenance expenses

Enhanced Internal Controls	The Board has enhanced internal controls in all departments including the Technical, Commercial and Finance and HR and Administration departments.	This has led to operational efficiency and adherence to various statutory regulations and guidelines
Risk Management	The Board has ensured approval of Risk Management Framework and necessitated risk based audits.	This has led to compliance with the Public Financial Management Act, 2012 and other regulations

Yours Faithfully

Dr John Wamokonjio

Full Board Chairman

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REPORT OF THE CHIEF EXECUTIVE OFFICER

Ladies and Gentlemen this Financial year the Management through the assistance of the Board of Directors achieved some milestones key among them are outline below

Company Branding	The Management has ensured company branding by ensuring provision of Staff ID Cards, Staff Uniforms, branded Protective gears, Calendars, Diaries, buildings, offices, vehicles and motorbikes amongst others.	Company re branding has increased Company visibility.
Approval of the Procurement Pan	The management ensured approval and implementation of the Procurement Plan during the entire period	This led to compliance with the PPOA regulations and prudent Financial Management.
Approval of the Annual Budget Estimates	The Management ensured approval and implementation of the Annual Budget Estimates during the entire period	This led to compliance with the Public Finance Act 2012 and prudent Financial Management.
Increased Billing and Revenue Collection Efficiency	The Management has provided a platform that increased billing from 16million to current 21million per month and revenue collection efficiency from 80% to 95%.	Availability of funds to cater for operations.
Introduction of Polymer as an alternative coagulant	This has led to; - Reduced cost of production - Enhanced water quality	This has led to savings as a result of reduced cost of chemicals and increased consumer confidence as a result of high quality water
Continuous Calibration of Lab Equipment	This has increased Credibility of the Laboratory results and Authenticity of the data generated	This has ensured compliance with various regulations including KEBS, NEMA etc

Your Faithfully

Fred Atwa

Managing Director

CORPORATE GOVERNANCE STATEMENT

The company recognizes the importance of corporate governance in creating balance between economic and social goals and between individual and communal goals while encouraging efficient use of resources, accountability in use of power and stewardship and as far as possible to align the interests of individuals, corporation and the society. Good corporate governance is intended to ensure that the powers of the corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing customer satisfaction and other stakeholders in the context of corporate mission.

Effective 1st July 2016 the then Lake Victoria North water services Board(Kakamega –Busia Water supply-Western Water Services Company was handed over to the respective County Government-Kakamega and Busia and consequently new Board of Directors was put in place. The board has over time provided oversight on;

- Policy formulation, implementation and review
- good governance and accountability in the operations of the company
- providing mentorship to management
- overseeing the company's long term plans and programmes for growth and development
- Upholding integrity, corporate social responsibility and public image of the company.

Management responsibility has involved.

- Overall planning implementing, monitoring and evaluating company performance, productivity and customer satisfaction
- Ensuring that company's policies, plans and programme are implemented as directed by the Board of Directors
- Advising the Board on all matters of the company and reporting to the Board on the same regularly.
- Responsible for overall growth and development of the company
- Ensuring that the company has adequate resource capacity (human and non-human) to its business profitable .

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Management Discussion and Analysis

Budget Absorption for FY 2018/2019

DESCRIPTION	Budgets 2018/2019	Actual 2018/2019	% ABSORPTION
KSH	274,522,746.00	237,133,302.65	86%

The absorption rate of the estimated budget for Fy 2018/2019 compared to the actuals for the year was 86%

Gross Profit for FY2018/2019

Description	2019(Ksh)	2018(Ksh)	Growth(Ksh)
Gross Profit	206,028,844	177,827,635	28,201,209

The growth in gross profit in the Financial year ended 2019 was attributed to high sales realized in the year and relative stability in Cost of Productions

Net Loss for FY 2018/2019

Description	2019(Ksh)	2018(Ksh)	LOSS(Ksh)
Net loss	(32,995,185.65)	(31,532,970.00)	(1,462,214.65)

The Net loss in the FY 2018/2019 increased by Ksh 1,462,214.65 compared to previous Financial year 2017/2018 due to high administration/Operation cost.

Sales

Description	2019(Ksh)	2018(Ksh)	Growth(Ksh)
Sales	239,444,801.00	211,929,703.00	27,515,098.00

The Sales/Revenue realized in the Financial year 2018/2019 grew by Ksh 27,515,098 compared to the previous years. This was attributed to less disruption of service lines and increased coverage areas.

Cost of Sales

Description	2019(Ksh)	2018(Ksh)	Amount(Ksh)
Cost of Sales	38,243,277.00	37,052,568.03	1,190,708.97

The cost of production remain relative stable in the FY 2018/2019 as compared to the previous FY 2017/2018 .It went up by a slight margin of Ksh 1.1 Million

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

To this end: -

1. The Company has a separate environmental policy statement clarifying its commitment to delivering a net positive impact on the environment.
2. The Company has established a Corporate Social Responsibility budget line within its annual budget through which it supports its social responsibility objectives.
3. The company undertakes annual health and safety workplace audits

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30,2019 which shows the state of Kakamega County Water and Sanitation Co LTD affairs.

Principal activities of KACWASCO

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

Dividends

The company realized a net loss of Ksh 37,822,504(Thirty Seven Million eight Hundred and twenty two thousand five hundred and four) and therefore does not declare any dividends.

Directors

The terms of all Seven Directors appointed External will expire in the month of February 2019 after serving for three(3) full term and are eligible for reappointment for the 2(Second) and last Term

Auditors

The Auditor General is responsible for the statutory audit of KACUWASCO in accordance with article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30,2019 .

By Order of the Board

Christabel Ashiono

Board Secretary

STATEMENT DIRECTORS RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on 30ThJune 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company*'s* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standard (IFRS. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of *Company's* transactions during the financial year ended 30th June 2019, and of the *Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Company*, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Chairman	Managing Director	Ag Commercial and Finance manager

REPUBLIC OF KENYA

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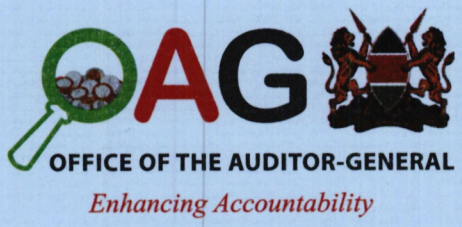

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Water and Sanitation Company Limited set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kakamega County Water and Sanitation Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Plant, Property and Equipment

1.1 Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.9,817,825 under property plant and equipment which, as disclosed in Note 10 to the financial statements, includes additions of Kshs.7,491,090. However, details of the additional assets were not provided for audit review. Further, the property, plant and equipment balance of Kshs.9,817,825 is at variance with the casted net book values of Kshs.9,668,681 resulting to an unexplained variance of Kshs.149,144.

In addition, the office block together with the land on which it stands has not been disclosed in the financial statements and the ownership documents were not provided for review.

Under the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.9,817,825 as at 30 June, 2019 could not be confirmed.

2. Receivables and Prepayments

As disclosed in Note 12 to the financial statements, the statement of financial position reflects a balance of Kshs.203,006,433 under receivables and prepayments. However, the ledgers together with the supporting schedules were not provided for audit review.

Consequently, it has not been possible to confirm that the receivables and prepayments balance of Kshs.203,006,433 as at 30 June, 2019 is fairly stated.

3. Bank and Cash Balances

The statement of financial position reflects an amount of Kshs.97,301,241 under bank and cash balances which, as disclosed in Note 13 to the financial statements, comprised of bank balances held in nine (9) bank accounts and four (4) M-Pesa accounts. However, although the certificates of bank balances were provided, the bank reconciliation statements and cashbooks in respect of seven (7) bank accounts listed below were not provided.

No	Bank Name	Account No.	Amount held in Account Kshs.
1	Family Bank- Revenue	078000040724	392,555
2	KCB Development A/c	1233504525	84,074,274
3	Family Bank Deposit	078000040459	5,263,477
4	Family Bank Project (Navakholo)	078000040458	1,464,594
5	KCB Rural Revenue	1251924468	5,000
6	KCB Rural Deposit	1251924336	5,000
7	KCB Rural Expenditure	1251924549	5,000
	Total		**91,209,900**

Further, variances were noted between the amounts reported in the financial statements and the amounts reflected in the supporting documents in three (3) Mpesa accounts as shown below.

Name	Account	Amount in the Financial Statements Kshs.	Supported Amount Kshs.	Variance Kshs.
Mpesa(KACWASCO)	772153	3,421,628	3,253,862	167,766
Mpesa(LVNWSB)	894200	368,239	335,120	33,119
Mpesa(KACWASCO Malava/Kipkaren)Deposit	882846	202,043	134,929	67,114
Total		**3,991,910**	**3,723,911**	**267,999**

Under the circumstances, the accuracy of the cash and bank balance of Kshs.97,301,241 as at 30 June, 2019 could not be confirmed.

4. Inventories

The statement of financial position reflects an inventories balance of Kshs.6,758,604 while the supporting schedules provided for audit review reflects an amount of Kshs.10,522,241 resulting to an unreconciled variance of Kshs.3,763,637.

Consequently, the accuracy of the inventories balance of Kshs.6,758,604 as at 30 June, 2019 could not be confirmed.

5. Customer Deposits

The statement of financial position reflects a balance of Kshs.404,403,270 under payables and accruals which, as disclosed in Note 14 to the financial statements, include customer deposits of Kshs.44,692,220. However, the customer deposit balance was not supported by a Customer's Deposits Register and actual cash at bank to facilitate refunds when they fall due.

Consequently, the accuracy and validity of the customer deposits balance of Kshs.44,692,220 as at 30 June, 2019 could not be ascertained.

6. Statement of Changes in Equity

As previously reported, the statement of changes in equity reflects an amount of Kshs.148,042,643 in respect of capitalized inventory. However, supporting documents and detailed analysis of the balance were not provided for audit review.

Under the circumstances, the accuracy and completeness of the capitalized inventory balance of Kshs.148,042,643 as at 30 June, 2019 could not be confirmed.

7. Unsupported Finance Cost

The statement of profit or loss and other comprehensive income reflects an expenditure of Kshs.25,708,592 in respect of finance cost which, as disclosed in Note 15 to the financial statements, relates to interest payable on KFW loan secured by the Lake Victoria North Water Works Development Agency through The National Treasury to develop gravity water supply systems. However, the loan agreements and interest workings schedules were not provided for audit review.

Consequently, the accuracy of the finance cost of Kshs.25,708,592 for the year ended 30 June, 2019 could not be confirmed.

8. Cost of Sales

The statement of profit or loss and other comprehensive income reflects cost of sales amount of Kshs.38,243,277 which, as disclosed in Note 7 to the financial statements, included water levies of Kshs.7,165,403, Kshs.2,516,025 and Kshs.409,500 by Water

Services Regulatory Board (WASREB), Water Resources Management Authority (WARMA) and Kenya Forest Service (KFS), respectively. However, detailed analysis of the water levies totalling to Kshs.10,090,928 were not provided for audit review.

Under the circumstances, the accuracy of the cost of sales amount of Kshs.38,243,277 for the year ended 30 June, 2019 could not be confirmed.

9. Prior Year Adjustment

The statement of cash flows reflects an unexplained prior year adjustment of Kshs.276,380 which is not reflected in the statement of financial position as at 30 June, 2019.

Consequently, the accuracy of the prior year adjustment of Kshs.276,380 could not be confirmed.

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

Emphasis of Matter

Going Concern

During the year under review, the Company recorded a net loss of Kshs.32,995,185 as compared to Kshs.31,532,970 reported in the financial year 2017/2018, resulting in accumulated losses of Kshs.323,995,144 as at 30 June, 2019. Further, the current liabilities balance of Kshs.405,736,603 exceeded the current assets balance of Kshs.307,066,278 resulting into a negative working capital of Kshs.98,670,325 as at 30 June, 2019.

The Company is therefore technically insolvent and may face financial challenges in settling liabilities as and when they fall due. In the circumstances, the going concern of the Company, in absence of continued support from the County Executive of Kakamega and creditors, is in doubt.

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. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.300,958,905 and Kshs.244,272,121 respectively resulting to an under-funding of Kshs.56,686,784 or 19% of the budget. Similarly, the Company spent Kshs.237,133,303 against an approved budget of Kshs.274,522,746 resulting to an under-expenditure of Kshs.37,389,443 or 14% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the residents of Kakamega County.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2019. Management did not provide reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Non-Revenue Water

Records availed for audit review indicated that the Company produced a total of 5,612,219 cubic meters of water during the year under review, out of which 3,416,913 cubic meters was billed to customers for a total of Kshs.239,444,801. The balance of 2,195,306 cubic meters representing 39% of the total volume was non-revenue water which is 14% over and above the allowable loss of 1,403,055 cubic meters or 25% of total production as per the guidelines issued by the Water Services Regulatory Board (WASREB). The significant level of non-revenue water of 792,251 cubic meters at average cost of Kshs.70 per cubic meter after deducting allowable losses resulted in a loss of sales estimated at Kshs.55,457,570, which, may impact negatively on the Company's profitability and could erode sustainability of its operations.

2. Fixed Asset Register

The statement of financial position reflects property, plant and equipment balance of Kshs.9,817,825. However, the following was noted;

(i) The Fixed Assets Register was not availed for audit review.

(ii) There was no disclosure made on the actual assets the Company owns and those that do not belong to the Company such as those indicated as donated or belonging to Lake Victoria North Water Works Services Agency as below:

Make	Registration No.	Logbook No.	Colour
Yamaha DT175 motor cycle	KBJ 983 U	20102230258	White
Toyota pick up	KBG 913 C	20092450477	White
Isuzu lorry/truck	KBN 199 P	20113550142	Grey
Chevrolet Optra	KBJ 419 U	20100350857	Silver
Toyota pick up	KBG 802 E	20141390962	Silver metallic
Toyota pick up	KBG 914 C	20092450476	Red
Yamaha DT175 motor bike	KMCB 790 R	20140590239	White
Yamaha DT175 motor bike	KMCL 412 R	2010343605	White
Yamaha DT175 motor bike	KMCE 930L	2014880438	White

(iii) Included in the property, plant and equipment balance of Kshs.9,817,825 are motor vehicles with netbook value of Kshs.712,647 which include the following two motor vehicles registered in the name of the vendor.

Make	Reg. No.	Colour	Registration Date
Toyota Prado station wagon	KCM 860Q	Black	16-Aug-2017
Toyota Hilux double cabin	KCN 954 Y	Silver	13-Dec-2017

(iv) Further, three (3) motor vehicles were fixed with civilian number plates instead of the blue number plates for parastatals or official ones for county governments, thus subjecting them to misuse as the Government Vehicles Check Unit may not detect them as indicated below;

Make	Registration No.
Toyota Prado TX station wagon, black	KCM 860 Q
Toyota Hilux double cabin, grey	KBN 897 N
Toyota Hilux double cabin, grey	KCN 954 Y

This is contrary to Section 53(1) of the Public Finance Management Act, 2012 which states that the Accounting Officer of a County Government Entity is responsible for the Management of the entity's assets and liabilities and shall manage those assets in a way as to ensure that the county government entity achieves value for money in acquiring, using or disposing of those assets.

Consequently, the Management was in breach of the law.

3. Contract for Professional Services

As disclosed in Note 9 to the financial statements, administration expenses of Kshs.202,086,032 includes consultancy/professional fees of Kshs.8,178,000 which further include an amount of Kshs.2,862,300 paid to a consultancy firm. However, the Contract Agreement together with other related tender documents including tender opening, tender evaluation and tender award minutes were not availed for audit verification.

Consequently, the propriety of the consultancy fee of Kshs.2,862,300 for the year ended 30 June, 2019 could not be confirmed.

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

Basis for Conclusion

1. Lack of a Risk Management Policy

Although the Company had an approved Risk Management Policy, the Management did not perform a formal risk assessment for the year under audit thus making it difficult for the entity to identify possible inherent risks that could interrupt the operations of the company. This is contrary to Regulations 158(1) of the Public Finance Management (County Government) Regulations, 2015, which requires an Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanisms; and that the county government entity develops a system of risk management and internal control that builds robust business operations.

Consequently, the Management breached the law.

2. IT Control Environment

During the year under review, the Company had not established an ICT Department thus posing a challenge of developing an IT Strategic Plan and IT Strategic Committee.

Consequently, the Company may not achieve its strategic goals in an efficient and effective manner in the delivery of services.

3. Long- Outstanding Short-Term Borrowings

The statement of financial position reflects short term borrowings relating to Lake Victoria North Water Works Agency balance of Kshs.1,333,333 as at 30 June, 2019 which had been outstanding since the year 2010. The Company is therefore at risk of losing public funds through court litigations.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern or to sustain its services.

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

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

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

30 August, 2021

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 3O JUNE 2019

	NOTES	2019	2018
Income		K9H.	K9H.
Sales	6	239,444,801	211,929,703
Less :Cost of Sales	7	38,243,277	37,052,568
Gross Profit		**201,201,524**	**174,877,135**
Other Operating Income	**8**	**4,827,320**	**2,950,500**
Total Gross Profit		**206,028,844**	**177,827,635**
Administration/Operating Expenses	**9**	**202,086,032**	**173,209,160**
Depreciation Expenses	**10**	**11,229,405**	**10,442,853**
TOTAL EXPENSES		**213,315,437**	**183,652,013**
OPERATING PROFIT/LOSS		**(7,286,593)**	**(5,824,378)**
Finance Cost	**15**	**25,708,592**	**25,708,592**
Net profit/loss		**(32,995,185)**	**(31,532,970)**

Chairman.....**Date**.....27/07/2020.....

Managing Director.....**Date**.....27/07/2020.....

Ag Commercial & Finance Manager .....**Date**.....27/7/2020.....

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

NON CURRENT ASSETS		KSH.2019	KSH.2,018
property, plant and equipment	10	9,817,825	13,556,140
TOTAL NON CURENT ASSETS		**9,817,825**	**13,556,140**
Current Assets			
Inventories	11	6,758,604	7,354,772
Receivables and Prepayments	12	203,006,433	197,175,975
Bank and Cash Balances	13	97,301,241	92,497,753
Total Current Assets		307,066,278	297,028,500
Current Liabilities			
Payables &Accruals	14	404,403,270	365,385,003
Short term Borrowing-LVNWSB		1,333,333	1,333,333
Total Current Liabilities		**405,736,603**	**366,718,336**
Net Current Asset		**(88,852,501)**	**(55,857,316)**
Financed By			
Share Capital		100,000	100,000
Revenue Reserve		(323,995,144)	(290,999,959)
Capitalized Inventory		148,042,643	148,042,643
County Government of Kakamega		87,000,000	87,000,000
Total Equity		**(88,852,501)**	**(55,857,316)**

Charmain.....Date....27/07/2020.....

Managing Director.....Date....27/07/2020.....

AG Commercial and Finance Manager.....Date....27/7/2020.....

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	SHARE CAPITAL	RETAINED EARNINGS	Capitalized Inventory	COUNTY GOVERNMENT OF KAKAMEGA	TOTAL
	Ksh	Ksh	Ksh		Ksh
Year ended 30 June 2017	**100,000**	**(259,466,989)**	**148,042,643**	-	**(111,324,346)**
for the year 2018	-	(31,532,970)	-	87,000,000	55,857,316
Year ended 30 June 2018	100,000	(290,999,959)	148,042,643	87,000,000	(55,857,316)
For the Year 2019		(32,995,185)			(32,995,185)
	100,000	(323,995,144)	148,042,643	87,000,000	(88,852,501)

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF CASHFLOWS		
	KSH	KSH
	2019	2018
Cash generated from operations		
Profit/(loss) before tax	(32,995,185)	(31,532,970)
ADD: Non cash adjustments		
Provision for Depreciation	11,229,405	10,442,853
	(21,765,780)	**(21,090,117)**
Changes in working capital		
Increase/(Decrease) in Creditors	39,018,267	49,331,451
Increase in Debtors	(5,830,458)	(19,564,257)
Decrease in Stocks	596,168	(1,158,281)
Net Cash from (used in) operating activities	**33,783,977**	**28,608,913**
Cash flow from Investing Activities		
Net Cash from investing activities		
Acquisition of Fixed Assets	(7,491,090)	(16,979,252)
County Government of Kakamega		87,000,000
Net increase Cash and Cash Equivalents	**4,527,107**	**77,539,544**
Movement in Cash & Cash equivalents		
At the Start of the year	92,497,753	14,958,209
Increase/Decrease of cash at year end	4,527,107	77,539,544
Prior Year adjustment	276,380	
Balance as at 30th June 2019	**97,301,240**	**92,497,753**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	BUDGET 2018/2019	ACTUAL 2018/2019	Variance	Variance
Description	Ksh	KSH	KSH	%
Income				
Sales	300,958,905.00	244,272,121.00	56,686,784.00	81%
Expenses				
Staff Cost	**152,630,379**	**137,850,587.00**	14,779,792.00	90%
Directors Fees	**5,443,242**	**4,013,980.00**	1,429,262.00	74%
Chemicals	**17792892**	**14,423,653.00**	3,369,239.00	81%
Electricity	**13,493,970**	**13,132,528.00**	361,442.00	97%
WIBA	5,000,000.00	472,300.65	4,527,699.35	9%
Postage, Telephone and Internet	**1,500,000**	1,369,378.00	130,622.00	91%
Transportation, travelling and subsistence	**10,406,493**	8,164,445.00	2,242,048.00	78%
printing, stationery	**1,856,230**	1,764,070.00	92,160.00	95%
Funeral Expense	**180,000**	130,000.00	50,000.00	72%
Staff training expenses	**1,500,000**	1,006,325.00	493,675.00	67%
security services	**8,558,016**	8,376,032.00	181,984.00	98%
Fuel	5,000,000.00	4,489,631.00	510,369.00	90%
Software maintenance	**800,800**	1,104,859.00	- 304,059.00	138%
Lab Reagents	315,044.00	32,453.00	282,591.00	10%
Domestic Requisites /Hospitality	2,000,000.00	1,441,572.00	558,428.00	72%
Social Corporate Responsibility	319,660.00	310,300.00	9,360.00	97%
Gratuity	3,000,000.00	2,064,600.00	935,400.00	69%
Motor vehicle Repairs	4,311,978.00	4,075,692.00	236,286.00	95%
Uniform & Protective Clothing	557,700.00	70,700.00	487,000.00	13%
Office buildings repairs	700,000.00	452,495.00	247,505.00	65%
Subscription Fees	800,000.00	525,250.00	274,750.00	66%

Publicity & Advertisements	1,058,187.00	45,000.00	1,013,187.00	4%
Operations & Maintenance	14,000,000.00	12,926,449.00	1,073,551.00	92%
Computer Accessories	1,200,000.00	932,900.00	267,100.00	78%
Motor Vehicle Insurance	500,000.00	438,571.00	61,429.00	88%
Auditors' remuneration	600,000.00	456,000.00	144,000.00	76%
Legal fees	2,000,000.00	1,349,242.00	650,758.00	67%
Games and Sports	398,155.00	45,200.00	352,955.00	11%
Consultancy /Profession Fees	8,700,000.00	8,178,000.00	522,000.00	94%
Water Supply Infrastructure	1,500,000.00	1,156,260.00	343,740.00	77%
Furniture and Fittings	300,000.00	32,990.00	267,010.00	11%
Plant and Machinery	900,000.00	576,759.00	323,241.00	64%
Computers Equipment	1,200,000.00	932,900.00	267,100.00	78%
Office Equipment	1,000,000.00	563,681.00	436,319.00	56%
Water Meters	5,000,000.00	4,228,500.00	771,500	85%
Total Expenses	**274,522,746.00**	**237,133,302.65**		

Notes to Financial Statements

1 General Information

Kakamega County Water and Sanitation Company (KACWASCO) is a County Corporation incorporated under the Company Act (Cap 486). Kakamega County took over provision of water and sanitation services from Lake Victoria North Water Services Board (LVNWSB) from 1st July 2016, following the separation of the joint operations of the water supplies between Kakamega and Busia Counties; in line with the Constitution of Kenya 2010, that mandates provision of water and sanitation services to County Governments. The population served with clean, quality and enough water in Kakamega is about 253,983 against current population of 319,266 in the service area. This population is mainly in the urban areas as per Service Provision Agreement (SPA), but the total population of Kakamega County is approximately 2 million.

Kenya's Vision 2030 for Water and Sanitation is to ensure that improved water and sanitation are available and accessible to all by 2030. Kenya's Constitution entrenches water as a constitutional right by establishing a right to reasonable standards of sanitation and clean and safe water in adequate quantities. The Water Act 2016 aligns the water sector with the constitution. The Act defines roles and responsibilities in the delivery of water and sanitation services within the devolution framework.

2 Statement of compliance and basis of preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity .

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepay able financial assets with negative compensation at amortized cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

i) **Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognized in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.

vi) **Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cots of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) 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 the year that they are available for use, usually over three years.

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

m) Trade and other receivables

Trade and other receivables are recognised 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 a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

n) Taxation (Continued)

Deferred tax (Continued)

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

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised

cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q) Trade and other payables

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

r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.XXX per employee per month.

s) Provision for staff leave pay

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

t) Exchange rate differences

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

u) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxxx on the 2018-2019 budget following the governing body's approval.

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

u) Budget information (Continued)

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

v) Service concession arrangements

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

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

i) **Revenue from the sale of goods and services** is recognised in the year in which the entity delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured.

ii) **Other income** is recognised as it accrues.

6)Sales

		2019	2018
		KSH	KSH
Gross sale of water		193,061,177	160,796,143
Gross sewer charges		34,762,674	39,627,214
Meter Rent		11,620,950	11,504,328
TOTAL REVENUE		239,444,801	**211,929,703**

7) Cost Of Sales	**2019**	**2018**
Opening Stock(chemicals)	7,354,772	6,196,491
Add: Purchases		
Water Levies:		
LVNWSB	-	7,464,657
WASREB	7,165,403	2,119,297
Kenya Forest service	409,500	
WARMA	2,516,025	3,763,386
Electricity	13,132,528	10,616,173
Chemicals	14,423,653	14,247,336
Less: Closing stock	(6,758,604)	(7,354,772)
	38,243,277	**37,052,568**

8)Other Revenue Income:

	2019	2018
Exhauster	**1,236,000.00**	1,764,500.00
Total Income from Exhauster	**1,236,000.00**	**1,764,500.00**
Water Bowser	**3,591,320.00**	1,186,000.00
Total Income from Water Bowser	**3,591,320.00**	**1,186,000.00**
Lab Reagents Kakamega		
Total other income	**4,827,320.00**	**2,950,500.00**

9)ADMINISTRATION / OPERATIONS COSTS	2019	2018
STAFF COST	Ksh	Ksh
Basic Salary	76,369,400.00	64,095,972
Medical Allowance	7,751,707.00	1,604,700
Leave Allowance	1,763,933.00	2,308,081
Transfer Allowance	254,600.00	612,000
Commuter Allowance	7,622,000.00	6,400,000
House Allowance	23,077,000.00	19,205,500
Air Time Allowance	1,787,000.00	1,464,000
Provident Fund	12,788,223.00	12,316,036
NSSF Employer	2,372,760.00	2,046,600
Acting Allowance	760,625.00	551,750
Special Duty Allowance	436,470.00	781,920
Casual Wages	644,709.00	2,791,328
Performance Reward	2,222,160.00	1,789,552
Total staff cost	**137,850,587.00**	**115,967,439**

DIRECTORS FEES	**Ksh**	Ksh
Directors' emoluments	3,333,980.00	4,082,975
Honoraria	680,000.00	1,020,000
Total Directors Fees	**4,013,980.00**	**5,102,975**

Other Administation Fees	Ksh	Ksh
WIBA	472,300.65	692,988
Postage, Telephone and Internet	1,369,378.00	1,129,558
Transportation, travelling and subsistence	8,164,445.00	10,334,689
printing, stationery	1,764,070.00	1,103,180
Funeral Expense	130,000.00	116,000
Staff training expenses	1,006,325.00	537,876
security services	8,376,032.00	8,176,840
Fuel	4,489,631.00	2,857,766
Software maintenance	1,104,859.00	978,500
Lab Reagents	32,453.00	24,000
Domestic Requisites /Hospitality	1,441,572.00	1,957,134
Social Corporate Responsibity	310,300.00	62,000
Gratuity	2,064,600.00	1,285,570
Motor vehicle Repairs	4,075,692.00	3,726,283
Uniform & Protective Clothing	70,700.00	218,490
Office buildings repairs	452,495.00	1,986,470
Subscription Fees	525,250.00	503,310
Publicity & Advertisements	45,000.00	905,988
Operations & Maintenance	12,926,449.00	11,753,442
Computer Accessories	932,900.00	323,110
Motor Vehicle Insurance		823,813

	438,571.00	
Bank charges and commissions		276,890
Auditors' remuneration	456,000.00	456,000
Legal fees	1,349,242.00	974,719
Licence Fee(WASREB)	-	100,000
Games&Sports	45,200.00	834,130
Rent	-	-
Consultancy /Proffession Fees	8,178,000.00	-
TOTAT OPERATION COSTS	**60,221,464.65**	**52,138,746.00**
GRAND TOTAL ADMINSTRATION COST	**202,086,031.65**	**173,209,160.00**

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6) PROPERTY PLANT AND EQUIPMENT

6) PPE 2017/2018	Water Supply Infrastructure	Furniture & fittings	Plant and machinery	Motor vehicles, including, motor cycles	Computers & r equipment	Office equipment	Water Meters	Total
COST OR VALUATION	**430,000**	**2,173,695**	**452,860**	**7,365,900**	**1,328,309**	**183,902**	**7,117,000**	**19,051,666**
At July 1, 2016	883,033.00	2,574,294.00	1,209,226.00	7,940,900.00	2,434,349.00	1,856,878.00	16,242,000.00	33,140,680.00
Additions	-	43,995.00	-	-	-	-	-	43,995.00
Impairment Loss	-		-	-	-	-	-	-
Prior Year adjustment	-		-	145,806.00	14,931.00	-	-	160,737.00
as at 30th June 2017	883,033	2,618,289	1,209,226	8,086,706	2,449,280	1,856,878	16,242,000	33,345,412
Depreciation as at lst July 2016	86,921	2546271	557233	8,086,706	2,449,280	416,013	7,662,375	21,804,799
Charge for the year 2017	35,321	72018	120923	0	0	232,110	4,060,500	4,520,872
Accumulated Depreciation	122,242.00	2,618,289.00	678,156.00	8,086,706.00	2,449,280.00	648,123.00	11,722,875.00	26,325,671.00
NET BOOK VALUE June 30 2018	**3,223,257**	**-**	**410,147**	**5,112,324**	**-**	**1,025,462**	**3,784,950**	**13,556,140**
As at 30th June 2018	**3,484,895**	**2,618,289**	**1,209,226**	**17,598,706**	**2,823,780**	**1,912,668**	**20,677,100**	**50,324,664**
Additions	1,156,260	32,990	576,759	0	932,900	563,681	4,228,500	7,491,090
As at 30th June 2019	**4,641,155**	**2,651,279**	**1,785,985**	**17,598,706**	**3,756,680**	**2,476,349**	**24,905,600**	**57,815,754**
Accumulated Depreciation	261,638	2,618,289	799,079	12,486,383	2,823,780	887,207	16,892,150	36,768,524
Charge for the year 2019	185,646	0	178,599	4,399,677		239,084	6,226,400	11,229,405
Accumulated Depreciation 30th June 2019	447,284	2,618,289	977,678	16,886,060	2,823,780	309,544	23,118,550	47,997,929
NET BOOK VALUE June 30 2019	**4,193,871**	**0**	**808,308**	**712,647**		**2,166,805**	**1,787,050**	**9,817,825**

11 **Stock**

		2019	2018
a)	Total Chemicals	**513,310**	**1,558,207**
b)	Stationery	623,875	909,292
c)	Pipes and Fittings	5,621,419	4,887,273
	To Balance Sheet	**6,758,604**	**7,354,772**

12)Debtors	KSH	KSH
	2019	2018
Navakholo	5,143,052.00	3,924,367.00
Shitoli	28,562,443.00	21,922,874.00
Kakamega	108,066,538.00	104,730,762.00
Butere	3,941,715.00	5,489,012.00
shinyalu	8,530,165.00	22,386,252.00
Mumias	28,433,274.00	23,450,189.00
Tindinyo	3,691,557.00	3,367,890.00
Malava	2,509,657.00	467,432.00
Lumakanda	1,342,516.00	178,890.00
Muranda	1,527,209.00	
	191,748,126.00	**185,917,668.00**
VAT Claim	9233958	9233958
PAYE Claim	2024349	2024349
KPLC		
TOTAL DEBTORS	**203,006,433.00**	**197,175,975.00**

13)BANK BALANCES

Name	**Acct. No**		
	KSH		
	Acct. No	**2019**	**2018**
REVENUE(COOP BANK)	01100632410100	3,012,768	1,044,289
EXPENDITURE (COOP BANK)	011020632410100	(1,361,584)	315,828
MPESA(KACWASCO)	772153	3,421,628	1,316,842
MPESA(LVNWSB)	894200	368,239	69,337
MPESA(KACWASCO MALAVA/KIPKAREN)REVENUE	882846	202,043	-
MPESA(KACWASCO MALAVA/KIPKAREN)DEPOSIT	883061	448,247	-
FAMILY BANK REVENUE	078000040724	392,555	335,415
KCB DEVELOPMENT A/C	1233504525	84,074,274	87,000,000
FAMILY BANK DEPOSIT	078000040459	5,263,477	2,416,042
FAMILY BANK PROJECT	078000040458	1,464,594	-
KCB RURAL REVENUE	1251924468	5,000	-
KCB RURAL DEPOSIT	1251924336	5,000	-
KCB RURAL EXPENDITURE	1251924549	5,000	-
TOTAL		97,301,241	92,497,753

14 CREDITORS		
SUPPLIER	**2,019**	**2,018**
AAR Medical	**966,600**	**-**
Aidatek Ltd	264,500	63,200
Audior General	3,704,000	3,248,000
African Airtouch	14,300	-
AMACO	-	198,421
Aquatreat	355,822	-
BEDROCK HOLDINGS LTD	658,869	658,869
Ben Carson Investment	13,120	-
Blue Lagoon Hardware and Constructions	148,750	-
Boomaq		760,960
Bushiangala TTC	287,101	-
Bromak General		889,150
Cadeodeb		562,890
Carena General Supplies	165,640	-
CORNESRTSONE		688,576
Chairlink General	165,200	1,196,150
Diamond Rock	246,350	-
Davon Kenya LTD	-	170,000
Earth View	886,970	886,970
Golf Hotel	202,500	35,200

Heeland Ltd	260,000	115,320
Imperial Gen Stores	1,695,850	1,585,000
Julika Automobiles	56,200	511,650
Kenya Forest service	3,147,350	
KINETICS ENGINEERING LTD	-	1,738,950
Kel Chemicals	1,392,000	-
Legal Fee	666,667	666,667
LVNWSB Levies	34,525,878	49,755,831
Makumi Agencies	-	30,300
Magharibi Hauliers and Suppliers	89,775	-
PAN AFRICA CHEMICALS LTD	1,084,020	176,175
Postal Corporation of Kenya	9,470	-
Priyann Enterprises	2,509,972	1,325,996
Provision For Finance cost	272,465,889	246,757,297
Provision for Gratuity	2,607,450	1,285,570
Resolutions Insurance	-	130,545
Rokya Supplies	-	420,000
Solaree ltd	99,050	-
Suldanka Harti Ltd	101,267	-
Susylink Ent	964,050	-
TERRANOVA AUTOSPARES	-	187,494
Viable Deco		

	180,560	
Youthline	105,430	
WARMA	663,071	1,985,670
WASREB	6,334,593	1,974,390
Matete Mwelese & Co Advocates	-	359,600
Totals	**337,038,264**	**317,942,041**
Salary Related:		
Salaries		
Ukulima	1,230,488	424,841
Wevarsity SACCO	998,645	384,634
Co-op Bank Loan	2,280,253	891,487
Welfare	-	125,201
Family bank	-	70,050
Statutory Deductions		
NHIF - Jun	197,650	197,650
NSSF - Jun	777,000	399,600
PAYE - Jun	1,234,411	1,234,411
Provident-June	15,954,339	1,819,369
Total Salary	**22,672,786**	**5,547,242**
Customer Deposits		
Bal b/fwd	**41,895,720**	**39,268,720**
Tindinyo	32,000	90,000

Shitoli	389,500	487,000
Shinyalu	125,000	280,500
Kakamega	1,097,500	1,227,000
Muranda	79,000	-
Butere	64,000	47,000
Mumias	481,500	368,500
Lumakanda/Kipkaren	376,500	-
Malava	**75,000**	-
Navakholo	**76,500**	127,000
Total Deposit	44,692,220	**41,895,720**
TOTAL	404,403,270	**365,385,003**

15-Finance Cost-KSH25,708,592

The amount charged in the profit and loss statements relates to KFW loan which was secured by the then Lake Victoria North Water Service Board(LVNWSB) through Treasury to develop Gravity Systems from Tindinyo(Nandi County) to Kakamega County.

The principal amount was Ksh 3,103,560,000.00(Three Billion one hundred and three million five hundred and sixty thousand) and the repayment duration is 42 years.

The amount relates to Interest Accrued for the Financial Year 2018/2019 but have not been paid.

Progress on Follow up OF Auditors Recommendations

Presentation of the Financial Statements

The Financial Statements for FY 2018/2019 has been properly prepared and presented in accordance with the Public Sector Accounting Standards Board and Treasury Circulars.

Unsupported Customer Deposits Ksh 39,479,678

The reported Balances reflect the true position, amount of reported Customer deposits has been a carry on Book Balances since 1976 when water provision was been run by Ministry of Water, in changes that has been taking place in water sector no real cash transfers was made but only book balances.

During the takeover on 1st July 2016 the balances of Customers Deposits handed over to the company was Ksh 2,444,400 as per the attached minutes. The company is in final stages of having the unsupported amount written off.

Audit fees

The company has started to pay the arrears in installments. The first payments was made in January 2020

Long Outstanding Trade payables

The company fully relies on water collection from consumers to pay off previous and current commitments. Sometimes the collections cannot be enough to pay all commitments however the company has laid down prudent strategies to collect outstanding debtors which will see drastic payments of all outstanding creditors.

Short Term Borrowings

Unsupported Balances Short Term Borrowing-LVNWSB

The said amount was advanced to Western Water by Lake Victoria North Water Services Board as short loan to pay for Electricity in 2009 when it had been disconnected. The initial amount advanced to the then Kakamega Busia Water Supply was Ksh 3,000,000 .

In the Year 2014 Ksh 1,000,000 was repaid back and the balances has remained in the books of accounts since then.

The balance of 2m was shared under the ratio of 2/3 KACWASCO and 1/3 BUWASCO during handing over in 1st July 2016.

The Company commits to pay off the same once liquidity improves

Plant, Property and Equipment

The company has maintained and updated its Asset register hence the list will be availed in the next audit

Receivables and prepayments

Currently the Company has a total of 35 ,000 consumers and the make up of the individual arrears are maintained in the system .The same can always be access in soft copy

Capitalized Inventory

The reported amount involve goods that was delivered to the company through ministry when it was still running the operations. During separations the separations the items was capitalized. The company however is in the final stages of having remove from the books of accounts

Appendix I - Projects Implemented by Kacwasco	
Storm water management at the HQ	Contract was procured at a value of Ksh 177,464 through quotations to reinstate sections of damaged finance building. 1st phase of the works was completed and paid. The corporation is in discussion with KENHA to support restoration of damaged sections by deep galleys as a result of storm water from the highway. Regional director for KENHA has been duly notified
Buheri Borehole Water Solar Project	Procurement process was undertaken by KACUWASCO but Davis &Shirtliff later declined to supply demanding advance payment. MWENR_CGK took over procurement. Contract agreement to be finalized.
UBSUP Projects	Developed proposal construction of DTFU and improved safisan toilets in peri-urban areas of mumias. Approximately 100 Safisan Toilets have been constructed and clients paid subsidies. Notification of award letter for DTF contract has been issued. The project aims at promoting basic sanitation standards within the informal settlements and its funded by Water Sector Trust Fund at Ksh 17 Million.
Supply and Installation of Containerized Water Supply	Supply and installation of containerized water supply at Lumino Dam- Capacity 1,500CM/day. The container has been delivered at the project site awaiting installation the county government is in Liaison with both the local contractor and the MENA water company for installation and commissioning.

Office facelift and enhanced working environment	Additional section of the HQ roofing initially under asbestos has been replace with normal iron sheets at a total cost of ksh80, 000. Rehabilitated section of the building is being used as chemical stores. 2nd phase shall include finance Office, NRW office and Kakamega stores asbestos roofing replacement in the financial year 2021/2020
Purchase of bulk water from Siaya county to serve part of Butere and Khwisero areas	The corporation has connected 40 households serving approximately 350 people. The monthly average billing ksh 37,000.00 Siaya-Bondo water Company is able to sale 1,500cm/day of treated water to KACWASCO for distribution. The most recent billing was KSH 4,000.00

Appendix II -Inter-Entity Transfers

There were no inter entity transfers in the Financial Year 2018/2019

Appendix III - Recording of transfers from other Government entities

There were transfers from other Government entities in the Financial Year 2018/2019