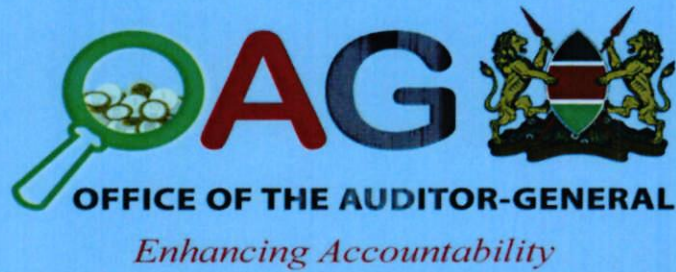


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REPORT

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THE AUDITOR-GENERAL

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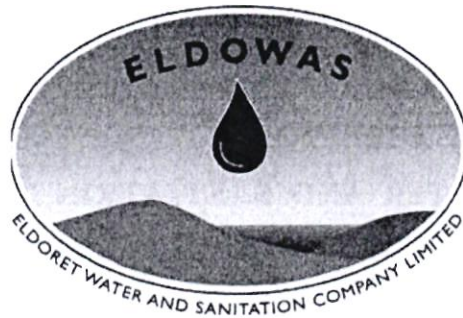
**ELDORET WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR
ENDED 30 JUNE, 2020**

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ELDORET WATER & SANITATION CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
30TH JUNE 2020

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

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1. KEY ENTITY INFORMATION

Background information

Eldoret Water and Sanitation Company Limited (ELDOWAS) was incorporated in October 1997 under Companies act (CAP 486 Laws of Kenya). It started its operations in the year 2000. The County Government of Uasin Gishu is the principal shareholder. Under the Water Act 2016, ELDOWAS carries out its functions as a Water Services provider under the license provided by Water Sector Regulatory Board (WASREB).

Principal Activities

The principal activities of the ELDOWAS are to provide Water and Sewerage Services within Eldoret Municipality and its environs.

Directors

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

Mr. Andrew Chelogoi	Chairman	Appointed on 08/12/2017
Mr. Simion Kemei	Member	Appointed on 18/06/2014
Mr. Peter Chesos	Member	Appointed on 18/03/2016
Ms. Jane Tanui	Members	Appointed on 08/12/2017
Mr. Erastus Kahonge	Member	Appointed on 08/12/2017
Mr. Mahamoud Kiplagat	Member	Appointed on 05/10/2018
Dr. Victoria Kutto	Member	Appointed on 05/10/2018
Mrs. Zipporah Cheruiyot	Member	Appointed on 08/10/2018
Dr. Paul Murgor	Managing Director	Appointed on 01/07/2018

Management team

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

Dr. Paul Murgor	Managing Director	Appointed on 01/07/2018
Mr. Jimmy Kemboi	Head of Technical Services	Appointed on 01/11/2012
CPA. Stephen Psiwa	Head of Financial Services	Appointed on 06/08/2015
Mr. Timothy Bett	Head of Commercial Services	from 24/10/2016-31/01/2020
Mr. Julius Lagat	Ag. Head of Commercial Services	Appointed on 06/11/2020

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Registered Office

Eldowas Building
Kampi Somali Road
P.O. Box 8418-30100
Eldoret, KENYA.

Corporate/ Company Contact

Telephone No: 053-2063403/2061915
Fax: 053-2063556
Mobile No: 0724-255-538
Email: info@eldowas.or.ke
Website: www.eldowas.or.ke

Corporate Banker

Standard Chartered Bank of Kenya Ltd
P.O. Box 7-30100
Eldoret, KENYA

Independent Auditors






The Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, KENYA

Principal Legal advisers

The Attorney General
State Law Office
Harambee Avenue
P.O. 40112- 00200
Nairobi, KENYA

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2. THE BOARD OF DIRECTORS




	<p>Name: Mr. Andrew Chelogoi Saina Age: 50Years Contract Period: 08/12/ 2018 - 07/12/2020 He represents Business Community in the Board. Andrew holds a Diploma in Business Management from Moi University and is currently the Chairman of the Board of Directors. He has over 10 years' experience as an Entrepreneur with a wide range of knowledge in the business environment.</p>
	<p>Name: Mr. Simion Kemei Age : 41 Years Contract Period: 18/6/2014 - to date He represents the County Government of Uasin Gishu in the Board. He is the Chief Officer in Charge of Water, Environment, Natural Resources, Tourism and Wildlife Management. He holds a Bachelor of Science degree in Environmental & Bio-systems Engineering from the University of Nairobi.</p>
	<p>Name: Peter Kipruto Chesos Age : 53Years Contract Period:18/3/2016-to date He represents the County Government of Uasin Gishu where he serves as the Chief Officer in charge of Finance. He holds a Bachelor of Commerce Degree from the University of Nairobi. He has extensive banking experience from 1994 to 2013. He held Branch Managers position both at Consolidated Bank as well as Kenya Commercial Bank.</p>
	<p>Name: Erastus Kagua Kahonge Age: 38 Years Contract Period: 08/12/ 2017 - 07/12/2020 He represents Manufacturing Community in the Board. He has Diploma in Information Technology Amboseli Institute in Thika. He has over 10 years working experience in the ICT and business. He is a certified member of Computer Society of Kenya and Kenya Association of Manufacturers.</p>
	<p>Name: Jane Cheruto Tanui Age: 49 Years Contract Period: 08/12/2017 - 07/12/2020 She is a Board member representing Business Community. She has Master of Business Administration Strategic Management Option, Bachelor of Business Management Human Resource Option Moi University. She has over 20 years working experience</p>

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	in the Human Resources at Kenya Pipeline.
	<p>Name: Mahamoud Kiplagat Age : 50 Years Contract Period: 5/10/2018- 4/10/2021 He is a Board member representing resident Community of Kipkenyo. He has Diploma in Public Administration from Moi University He also has 5 years leadership and Administration experience as an elected Councillor and was rated as the best councillor in 2011 for Eldoret Municipal Council. In addition he has over 8 years working experience as a supervisor in MEA general stores and Nyangmet Co-operative Society.</p>
	<p>Name: Dr. Victoria Kutto Age : 50Years Contract Period: 5/10/2018- 4/10/2021 She is a Board representing resident Community of Chebara. She has a PHD in Communication Studies, Master in Philosophy in Education Communication and Technology and Bachelor of Education in English and Literature from Moi University. She has over 25 years' experience as an educationist and administrator and also Director in Emerald Green Consultants Ltd.</p>
	<p>Name: Mrs. Zipporah Cheruiyot Age : 61Years Contract Period: 5/10/2018- 4/10/2021 She is a Board Member representing the professional bodies. She has a Bachelor of Education degree from University of Nairobi, higher Diploma in Human Resource and over 20years of experience shaping the strategic direction and brand positioning for organizations both in Government and Private sector including her own venture, Tumaini Greenfields Schools.</p>
	<p>Name: Dr. Paul Kimutai Murgor Age : 54 Years Contract Period:01/07/2018-to date He has a PhD in Business Administration with specialization in Strategic management (UoN), MBA Strategic management (UoN), Bsc Marketing (USIU-A), post graduate Diploma in Agriculture and Food Marketing from Egerton University and a full member of the Marketing Society of Kenya. He has over 20 years diverse experience and knowledge in strategic management, Sales and Marketing management, Business development, performance improvement, operations, and employee management. He is the Managing Director and Secretary to the Board.</p>

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3. CORPORATE MANAGEMENT TEAM

	<p>Name: Dr. Paul Kimutai Murgor Age : 54 Years Contract Period:01/07/2018-to date He has PhD in Business Administration with specialization in Strategic management (UoN), MBA Strategic management (UoN), Bsc Marketing (USIU-A), post graduate Diploma in Agriculture and Food Marketing form Egerton University and a full member of the Marketing Society of Kenya. He has over 20 years diverse experience and knowledge in strategic management, Sales and Marketing management, Business development, performance improvement, operations, and employee management. He is the Managing Director and Secretary to the Board.</p>
	<p>Name: Mr. Jimmy Kemboi Age : 41 Years Contract Period: 1/11/2012 - to date He has Master of Science in Development studies from Moi University, Bachelor of Science Degree in Water Engineering from Egerton University. Has over 13 years working experience in diverse environments. He Joined the company in 2009 as the Sewerage Manager and was appointed as the Head of Technical Services in November 2012. He acted as Managing Director from October 2016 to June 2018.</p>
	<p>Name: CPA Stephen Psiwa Age : 46 Years Contract Period: 6/8/2015- to date He has Master of Business Administration (MBA), Bachelor of Arts Degree, CPA (K) and CFE and has over 15 year working experience both private and public sector in management, auditing, finance and accounting. He was the Senior Manager Internal Audit & Risk Management at Kenya National Bureau of Statistics before joining ELDOWAS as the Head of Financial Services. He also has been one of the Fire Award Evaluators.</p>
	<p>Name: Timothy Bett Age : 45 Years Contract Period: 24/10/2016: 31st January 2020 He had a Master of Business Administration (MBA) Finance Option degree from the University of Nairobi, a Bachelor of Arts Degree in Management Studies from Moi University, an ACCA (UK) Part 2 and is an Associate Member of the KIM. He had over 16 years working experience in private, public and NGO sectors in management, international commerce, finance and accounting. He joined ELDOWAS as the Head of Commercial Services.</p>

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Name: Julius Lagat Age : 45 Years

Contract Period: 6/11/2020: To Date

He has a Bachelor of Science Degree in Mathematics and Computer Science from Jomo Kenyatta University of Agriculture and Technology (JKUAT), He has over 18 years working experience in Banking sector supporting financial systems,6 years of which at management level before joining ELDOWAS as ICT manager.

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4. CHAIRMAN'S STATEMENT

It is with great honour that I present to you the annual reports and financial statements of Eldoret Water and Sanitation Company Limited for the year ended 30th June 2020. Since its inception and operations in year 2000, the company has continued to attain remarkable achievements in provision of water and sewerage services within its area of jurisdiction.

Operating Environment

The company operates in a regulated, stable business environment which complies with the provisions of the constitution, applicable laws and regulations in ensuring commercial viability. The company understands its strategic role to the achievement of the Sustainable Development Goals (SDG) in water and sanitation by the year 2030 and to the Government of Kenya in attainment of the big four (4) agendas.

Covid-19 Pandemic affected the operations of the company significantly. Loss of revenues by over 40% in the last quarter was witnessed as well as reduced availability of critical materials and deferred investments witnessed such as asset rehabilitation. For the company to ensure sustainable provision of safe water and sewerage services, it needs financial support. The company implemented all directives issued by the Government in regard to minimizing the spread of the pandemic.

Strategic Direction and Sustainability

The company implements its 5 year strategic plan through its annual approved work plan. Water demand outstrips its supply by a margin of 13,000m³ per day and sewerage coverage stands at about 30%. To bridge the gaps above, the company has put in place plans which includes;

- Kipkaren Water Supply Project under construction.
- Augmentation of Chebara Treated water pipeline.
- Extension of sewer lines under the last mile connectivity project.
- Design of the proposed Two Rivers Dam on going.
- Sourcing of funds for implementation of the Water and Sanitation Master plans Eldoret and satellite towns.

Corporate Governance

ELDOWAS adheres to the highest standards of corporate governance at all times in line with Corporate Governance Guidelines developed by WASREB and supported by the Water Act, 2016 . We continuously review our corporate governance structures in line with existing and emerging regulatory requirements. Every year, we undertake board evaluation which has led to clarity of roles and responsibilities, improved teamwork, accountability, decision-making, communication and efficient board operations.

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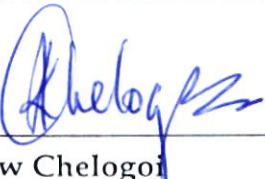
Future outlook

ELDOWAS reaffirms its commitment to achieving the aspirations of the vision to be a world class water service provider in Kenya. Despite budgetary constraints and unforeseeable risks, the company undertakes to do various activities as envisaged in the strategic plan as stated below;

- Initiate Augmentation of Chebara Water Supply project which will increase water supply by 7,000m³/day
- Complete Kipkarren Water Supply Project which will increase water supply by 24,000m³/day
- Implement the approved cost- recovery tariff for both Water and Sewer services
- Project reduction of Non- Revenue Water to 30% by June 2021
- Continue to automate processes in the company
- Extend and rehabilitate water and sewer network within the service areas.
- Collaborate with development Partners with a view of improving water and Sewerage sources and supply infrastructure.

Appreciation

Finally, I thank all our stakeholders including the County Government of Uasin Gishu, Board of Directors, employees and customers for their commitment and tireless effort towards the achievements of the goals and objectives of the company.

Signed  Date: 2/3/2021
Mr. Andrew Chelogoi
Chairman (Board of Director)

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5.REPORT OF THE MANAGING DIRECTOR

It is my pleasure to present the company's annual report and financial statement for the period 2019/20 which covers the activities performed during this period. We are in the Mid-term of our current five year strategic plan that has seen the company effect a strategic shift in its operations. Our strategy is firmly on course and we have been able to establish a strong footing in the provision of Water and Sewerage services. The company performance in the year under review was underpinned by a continued focus on operational efficiency, adoption of new technologies, sound corporate governance and a strong control framework.

A) ACHIEVEMENTS

During the 2019/2020 financial year the company made several achievements. The following achievements were realized during the year;

- i) The company ranked position two (2) overall amongst all Water Service Providers in Kenya (WASREB Impact report No. 12). This was a sterling performance and ranking having improved from position eighteen (18) in the previous year.
- ii) For the fourth year running, the company continued to adopt performance contracting framework in its operations. Performance targets are derived from the strategic plan, which is linked to the budget as well as departmental work plans. Performance management framework has seen transformation in the day to day operations.
- iii) In the year under review, the company maintained a positive cash flow. It realised a turnover of Kshs 673,245,821.
- iv) The credit rating and commercial viability stood at 74%. This enabled the company to be given a five (5) year operating license instead of a lesser period thus operating on a valid license issued by the regulator.
- v) Despite the negative effects of Covid-19 pandemic, the company realized increase in revenue by 1% that enabled the expansion of several infrastructure and capital developments. This resulted in an increase in coverage for both water and sewerage services.
- vi) The company has continued to embrace automation of its processes. Some of these include Geographical Information System (GIS) mapping of water pipelines and consumer meters, rolling out ELDOWAS App through the play store for consumers, instant billing and smart metering technology whose outcome reduced the turnaround time and improved efficiency.
- vii) In the year under review, the company attained ISO 9001:2015 re-certification on Quality Management system and ISO/IEC 17025:2017 for Lab accreditation. This continued to boost the profile of the company to offer quality products and services both locally and internationally.

B) CHALLENGES

The company operated in an environment with challenges and other emerging issues. In the financial year under review, there were key challenges as highlighted below;

- i) Water shortage of about 13,000m³/day in Eldoret town and its environs due to high demand as result of ever-increasing population growth and developments.
- ii) Inadequate funding to improve and rehabilitate old infrastructure in an effort to reduce the high Non-Revenue Water currently at 42% and initiate new expansion development programmes.
- iii) The net outstanding debts stands at Kshs 580,955,796 (water & cleansing) for the reporting period compared to Kshs 598,704,123 in the last financial year.
- iv) Drop in Revenues due to the effects of Covid-19 Pandemic since March 2020.

THE GENERAL OUTLOOK


Since the Covid-19 virus outbreak, both global and local impacts of the coronavirus disease have already started been felt. It might continue to significantly affect the provision of potable and waste water services. The outbreak - brought negative impact- on businesses and panic among the population creating uncertainty about the future. There is also a growing focus on sanitation by the County Government on potable water for both rural and underserved communities. Despite budgetary constraints, the company undertakes to implement programmes as envisaged in its strategic plan. For the company to deliver its mandate, highlighted below are some activities to be rolled out and implemented;

- (a) Develop, expand, improve water distribution and supply infrastructure within the mandated area of coverage.
- (b) Extend and rehabilitate the sewer network within the service areas.
- (c) Complete the GIS mapping of water, sewerage infrastructure and customer points.
- (d) Project reduction of Non- Revenue Water to 30% by June 2021.
- (e) Continue to automate company processes.
- (f) Implement the approved cost- recovery tariff for both Water and Sewer services.
- (g) Collaborate with development Partners in regard to improving water sources and supply infrastructure.

D) CONCLUSION

On behalf of the management and staff of ELDOWAS, I extend our sincere appreciation to our Board, Shareholder, Customers, Regulators and other stakeholders. We shall count on your continued support and commitment as we steer ELDOWAS to even greater heights to improve on our products and services. The milestones outlined above would not have been possible without your support and understanding.

Thank you, God bless us all and ELDOWAS.

Signed  _____

Dr. Paul Murgor, PhD.

Managing Director

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6. REVIEW OF ELDORET WATER AND SANITATION 'S PERFORMACE FOR FY 2019/2020

Eldowas has *three (3)* strategic pillars and objectives within its Strategic Plan for the Financial Year 2017- 2022. These strategic pillars are as follows:

- Pillar 1: Capacity to meet demand
- Pillar 2: Operational efficiency
- Pillar 3: Organizational Development

Eldowas develops its annual work plans based on the above *three (3)* pillars. 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 Financial Year 2019/2020 period for its three (3) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements	
Pillar 1: Capacity to meet demand	Adequate Water Supply	Additional Volume of Water to increase the hours of Supply	Development of additional Water Sources	- The volume of Water increased by 9000m ³ /day following the commissioning of Kapsoya/Ellegrini Water Project - 21 hours of supply per day -Kipkarren Water Project is on going -Design of the proposed Two Rivers Dam on going	
			New distribution network	Extension of distribution networks	Laid 19.8kms of new pipelines
			Replacement of old pipelines	Identification and replacement of aged/dilapidated pipelines	Replaced 28.69Kms of aged pipelines with HDPE pipes
	Adequate Sewerage Services	New Sewer lines	Extension of sewer networks - 5 kms/yr	Extended 5.1 Kms of new sewer network	
			New Sewer connection	500 new connections per year	515 new sewer connections made
	Environmental Management and Conservation	No. of catchment areas protected No. of trees planted	Catchment protection and management activities	Sponsored conservation runs at Moiben, Kaptagat and Naiberi.	
			Tree planting exercises	Planted 321,019 tree seedlings Established tree nurseries at Kipkenyo, Kapyego and Chebara that produced a total of 253,000 seedlings.	
	Funding	Funds from External	-Development of funding proposals	-Received Kshs. 5.0 Million in which 3.5 Million was received	

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		Sources	-Resource mobilization	in 2019-20 FY and 1.5 Million in 2020-21 FY from Water Sector Trust Fund (WSTF) under Up-scaling Basic Sanitation for Urban Poor (UBSUP) project -Received Ksh. 2,425,490 from the County Government of Uasin Gishu
Pillar 2: Operational efficiency	Reduce NRW	% of reduction	-Develop and implement NRW reduction Strategies	Reduced NRW levels by 1%
	Automation of operations	Automation of key company processes	ERP Treatment plants Metering Customer side	ERP in place Chlorine dosing has been automated Pilot smart metering done Deployed customer service android App.
	Financial Management	Personnel costs as a % of O&M Debt Reduction % Increase of revenue and collections	-Management of the wage bill to below 30% -Debt collection -Tariff review -Recruitment of new customers -Improved hours of supply	-Improved from 46% to 43% -Collected Ksh. 49 million from the old debt. -New tariff approved -4344 water and 515 sewer connections done -Improved from 15 to 21 hours/day
	Service excellence	-Level of Customer Satisfaction	- Implement recommendation of 2018/19 customer satisfaction survey report	-94.1% of the recommendations implemented.
		% of customer complaints resolved.	-Resolve all customer complaints as per the customer service charter	-Achieved 96.6% resolution of customer complaints.
		Employee Satisfaction	-Implementation of the recommendations of the 2018/19 employee satisfaction report	-Developed an implementation matrix
	Optimization of existing plant and infrastructure	95% plant utilization	-Scheduled maintenance programmes -Calibration of equipment -Capacity building	-100% compliance to scheduled maintenance programme -All equipment calibrated -Staff trainings effected Achieved 90% utilization of the plants due to aging

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					infrastructure
Pillar 3: Organizational Development	Improve productivity	100% of staff to be trained	Undertaking annual capacity building as per training needs and job enrichment		-Training needs assessment (TNA) in place -Trained 43% members of staff as per TNA. Affected by the Covid-19 Pandemic.
		Annual performanc e contracts and appraisals	-Develop annual Performance Contracts and appraisals -Cascading the Performance Contracts -Review of Performance Contracts and appraisals		-Signed annual individual performance contracts and appraisals -Cascaded the performance Contracts - Undertook Mid and annual performance reviews - Continuous monitoring and reporting of the company performance
	Achieve total statutory and legal requirements compliance	100% of compliance	Adherence to all Statutory,Regulatory And Industry Requirements		-Submitted annual accounts by 30 th September 2019. -Complied with statutory requirements and other obligations such as PAYE, NHIF, Pension, Helb, Sacco dues, Staff Loans and NSSF, OSHA, Labour Laws, Submitted Reports to NEMA, WASREB.
	Institutionalize corporate Governance across the organization	100% of compliance	Comply with chapter 6 of the constitution of kenya 2010 requirements on Leadership and Integrity Capacity Building		-Conflict of Interest register in place. -All Board members and management trained on Corporate Governance. -Recruitment of Board Members and staff requires compliance with Chapter 6.

7. CORPORATE GOVERNANCE STATEMENT

ELDOWAS Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Directors must govern the Corporation with integrity and enterprise in a manner which entrenches and enhances the mandate. This embraces the Company's interaction and communication with customers and other stakeholders including County Government Uasin Gishu. The Board has delegated authority for conduct of day to day operations to the Managing Director. The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues. The Directors and Management of ELDOWAS regard corporate governance as vital to the successes of the Company and are unreservedly committed to ensuring that good corporate governance is practiced.

Composition of the Board

The current board consists of 8 directors representing professional bodies, resident communities, Chamber of Commerce, Kenya Association of Manufacturers and Representative from the County Government of Uasin Gishu. Their nominations are ratified during the Annual General meeting (AGM) for a three year term renewable once. The Chairman of the Board is appointed during the first Board meeting after the AGM. New members joining the board are inducted on company's operations and also trained adequately to enable them execute their mandate effectively.

Board Diversity

The Board is constituted by members who have a good mix of skills, experience and competencies in various fields such as ICT, Finance, Human Resource, Business, and Engineering. The Company's mandate is to provide Water and Sewerage Services and therefore the members are required to acquaint themselves with the technical knowledge. The Company has three (3) female board members out of eight (8) and therefore meets the constitutional threshold of being gender balance.

Roles and Responsibilities of Directors

The roles and responsibilities of members are outlined in the Company's Board Charter

Board composition and Committees

The following table represents the Board Composition and its Committees. There are three committees of the Board and each is appointed in two committees. The table below shows the chairs and members of each committee of the Board;

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S/No.	Member	Full Board	Finance & Administration	Audit & Risk Management	Planning Operations & Technical
1	Andrew Chelogoi	√*			
2	Peter Chesos	√	√*		√
3	Simion Kemei	√	√		√*
4	Mahamoud Kiplagat	√	√	√	
5	Dr. Victoria Kutto	√	√		√
6	Jane Tanui	√	√	√	
7	Erastus Kahonge	√		√	√
8	Zipporah Cheruiyot	√	√	√*	

* Represents the Chairman of the Board/ Committee

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. The full Board of Directors meets at least four times a year as per the guidelines of WASREB and the Board Charter. Special Board meetings are held to deliberate on emerging issues. The decisions of the Board are collective. Below is the extract from the attendance register for Full Board meetings held in the period from 1st July 2019 to 30th June 2020

No	Members	23/8/19	27/8/19	27/9/19	7/10/19	11/12/19	31/1/20	13/2/20	5/6/20	15/6/20	Attendance %
1	Andrew Chelogoi	√	√S	√S	√S	√	√	√S	√	√S	100
2	Peter Chesos	√	√S	√S	√S	√	√	√S	√	√S	100
3	Simion Kemei	√	√S	√S	√S	√	√	√S	√	√S	100
4	Mahamoud Kiplagat	√	√S	√S	√S	√	√	√S	√	√S	100
5	Jane Tanui	√	√S	√S	√S	√	√	√S	√	√S	100
6	Erastus Kahonge	√	√S	√S	√S	√	√	√S	√	√S	100
7	Dr. Victoria Kutto	√	√S	√S	√S	√	√	√S	√	√S	100
8	Zipporah Cheruiyot	√	√S	√S	√S	√	√	√S	√	√S	100

S represents Special Board meetings

There were other adhoc meetings that the Board had which included trainings, visit treatment plants and other operational areas of company in a bid to get themselves acquainted in all operations. The Board has set up the following committees that meet under well-defined terms of reference or Charters. This is intended to facilitate efficient decision

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making of the Board in discharging its duties and responsibilities. Below is a summary of the general functions and members attendance of each of the committee of the Board:

i) Finance & Administration Committee

This committee deals with strategic, financial, commercial, human Resource, procurement and administrative related issues.

Member	16/8/2019	17/09/2019	6/12/2019	22/1/2020	21/4/2020	21/5/2020	% of Attendance
Peter Chesos	√*	√*	√*		√*	√*	83.3
Simion Kemei	√	√	√		√	√	83.3
Jane Tanui	√	√	√	√*	√	√	100
Dr. Victoria Kutto	√	√	√	√	√	√	100
Mahamoud Kiplagat	√	√	√	√	√	√	100
Zipporah Cheruiyot	√	√	√	√	√	√	100
Erastus Kahonge				√			

Erastus Kahonge attended Finance & Administration meeting held on 22/1/2020 on invitation. *Represents the Chairperson to the Committee

ii) Planning, Operations & Technical Committee

This committee oversees planning, operations in the technical related areas. Issues related to technology advancements are also discussed.

Member	14/8/2019	3/12/2019	20/1/2020	14/5/2020	% of Attendance
Simion Kemei	√*	√*		√*	75
Peter Chesos	√	√		√	75
Dr. Victoria Kutto	√	√	√*	√	100
Erastus Kahonge	√	√	√	√	100
Andrew Chelogoi			√		

Andrew Chelogoi attended the committee meeting on invitation.

* Represents the Chairperson to the Committee

iii) Audit & Risk Management Committee

The Committee deals with audit, compliance and risk management related issues

Member	19/8/2019	9/12/2018	24/1/2020	28/5/2020	% of Attendance
Zipporah Cheruiyot	√*	√*	√*	√*	100
Erastus Kahonge	√	√	√	√	100
Jane Tanui	√	√	√	√	100
Mahamoud Kiplagat	√	√	√	√	100

*Represents the Chairperson to the Committee

Terms of Board members

Terms of the Board are outlined in the Company's Memorandum and Articles of Association. Appointed board members serve for a term of not more than three (3) years

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renewable once for a further term of three years. In doing so, the appointment is staggered to ensure succession planning.

Compliance to laws and other legal requirements

As a Public organization, decisions are guided by the core tenets prescribed by the constitution of Kenya, the Public Officers Ethics Act, Code of Conduct and the Mwongozo code of Governance. The Code of Conduct was signed by Board members. Accordingly, the Board and its committees regularly evaluate the latest national and international standards with the aim of incorporating them in the business processes of Company so as to consistently deliver on its mandate and be in compliant with the law.

Board remuneration

The remuneration payable allowances to the members of the Board are determined by the Shareholders during the Annual General Meeting.

Conflict of interest and declaration of interest

The Board have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company. All transactions with all parties, directors or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether direct or indirect. They sign conflict of interest register before the start of a Board meeting.

Board Charter

ELDOWAS has a Board Charter. It outlines powers and responsibilities of the Board and its members, appointment, remuneration, terms of the Board members, conduct of meetings, Committee 'terms of reference, conflict of interest among others. The charter is premised on the Mwongozo Code and best Corporate Governance Practices.

Board Induction and Training

The Board of Directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. During the year Board members were inducted through all operations of the company, visiting the sites/ location of offices and were also trained for three (3) days on Finance for Non-Finance.

Board and Member Performance

Eldowas acknowledges to grow, there is need for, clarity of roles and responsibilities, teamwork, accountability, decision-making, communication and efficient board operations. This is done through annual Board Evaluation.

8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: Company Outlook

As we reflect and embrace the changes witnessed in the water sector as per the 2010 Constitution and since the formation of ELDOWAS, there are a number of achievements the company has made and we are more optimistic about the future. The positive performance witnessed so far is proof of the noteworthy progress the company has made. The Board of Directors has been instrumental towards the realisation of key company objectives.

i) ACHIEVEMENTS

Financial Performance

The company realised a turnover of Kshs 673,245,821 from both billing and non-billing revenue sources. The deficit posted is Kshs 112,207,141 and a strong cash flow position of Kshs 215,743,363. The collection efficiency is at 95% and that commercial viability/ rating stands at 74%. The above parameters put the company ability to borrow favourable and competitive.

Regulatory performance

The company fully complied with the existing regulatory and statutory requirements hence no sanctions and penalties against the company.

Infrastructural Development

In the year under review the company achieved the following milestones:

- a) Extended 19.8 KMS of new water pipeline within the service area.
- b) Extended 5.1 KMS of sewer line within the service area.
- c) Provided water and sewerage services without major interruptions.
- d) Mapped approximately 95% of all customer connection points on GIS for ease of identification and management of all customers for continuous update of customer database.
- e) Use of HDPE pipes for all new connections and replacements

ICT Environment

The company implemented and using the following software solutions in an effort to automate its internal processes;

- a) Majics CMIS software for billing and customer relationship management.
- b) Sage Pastel software for accounting and financial reporting.
- c) Sage 300 software for Human Resource and Payroll processing
- d) Idea software used for data analytics by internal audit
- e) Izar portal plus software used in smart metering at Kipkorgot
- f) Chlorine dosing at the company's water treatment plant
- g) CCTV system for security surveillance of company premises and property.

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h) Biometric identification and logging system for managing daily staff attendance.

Capital Expenditure

In the Financial 2019/20, the company incurred capital expenditure of Ksh.621,250,616 compared to Ksh 115,000,470 in the financial year 2018/19 comprising of the following:

a) Expansion of Chebara and Kesses/Lessos Treatment Plants	Kshs.	516,615,660
b) Buildings, water and sewer works	Kshs.	25,684,869
c) Computer, Copiers	Kshs.	1,008,000
d) Computer Software (Intangibles)	Kshs.	1,085,155
e) Meters, Equipment and Tools	Kshs.	43,187,147
f) Motor Vehicle	Kshs.	8,233,695
i) Work in progress - Company funded projects	Kshs.	26,521,245

- Capital projects were financed through The World Bank Loans, internally generated funds, support from County Government of Uasin Gishu and from other well-wishers received in the financial year 2019/2020
- The company did valuation of biological Assets as per IAS 41 and received a report with Kshs. 36,613,830 for 95,027 trees as the total value in Kipkenyo treatment plant, Main office, Kipkaren dam, Two rivers dam, Ellegrini dam and Chebara dam.

Development Expenditure

Ellegrini/Kapsoya Water Project was commissioned and injected an additional 9,000 m³ of water per day into the distribution network. The construction of Kipkarren Water Supply through funding from the African Development Bank is ongoing. Design for Two-Rivers dam was commenced.

ii) **CHALLENGES**

The key challenges include the following:

Water demand

Water demand continues to outstrip supply hence necessitating the need for continuation of the water rationing programme. There is a shortage of over 13,000m³/day in Eldoret town and its environs. This situation is further aggravated by increased infrastructural developments including construction and rehabilitation of roads, laying of fibre optic cables, and rehabilitation of storm water drains among others. These activities have caused widespread damages of water and sewerage infrastructure, thus resulting in huge losses to the company.

Debtors

The net outstanding debts stands at Kshs 580,955,796 (water & cleansing) for the reporting period compared to Kshs 598,704,124 in the last financial year. A significant proportion of these outstanding debts relate to the standing charges. The company has a robust

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programme to follow up on the debts and has categorized the debtors for ease of follow up. Various other strategies have been developed including the enhancement of collection efforts, exploring more innovative approaches, bringing debt collectors on board among others. Provision for doubtful debts is Kshs. 60 million and the company has initiated the process of writing off bad debts.

Non- Revenue Water

In the period under review, NRW stood at an average of 42% and the company has put a lot of emphasis on it with a view of achieving the benchmark target of 25%. We have established NRW unit, budget allocation enhanced, leak detectors purchased, disciplinary action taken on errant employees, constant raids and arrests, asset management programmes, training, inspection and surveillance of all our existing distribution lines. We have also undertaken a pilot programme on smart metering and installation of HDPE pipes in Kipkorgot, Annex and Elgon View zones. The company will also continue to invest on any emerging technologies and materials in an effort to alleviate the effects of NRW. We believe that reduction of NRW will lead the company to positively influence quality of services, increase in revenue collection, service coverage and essentially long-term commercial viability.

SECTION B: Obligations

The company was able attend to all its financial requirements and obligations in meeting its stakeholders' expectations despite budgetary constraints. The company continued to achieve key performance indicators as stipulated by the license issued by the regulator.

SECTION C: Operations

The greatest desire of ELDOWAS is the improvement of access to water and sewerage services to the residents of Eldoret town and its environs. Currently, water demand continued to outstrip supply hence necessitating the continuation of rationing programme. The company in its effort to meet the mandate has put in place plans with a view of increasing the water supply. On the basis of work done so far, there has been a significant improvement in the provision of Water and Sewerage services that have seen hours of water supply improve to 21 hours per day. For the company continue building on these gains, there is need now, for a comprehensive investment plan indicating the investment necessary to achieve the progressive realization of the right to water and sanitation for Eldoret residents. Efforts to increase access have to be reinforced by translating investments into value for money.

SECTION D: Risk Management

The organization's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimize the potential of adverse effects of such risks on its performance by setting acceptable level of risk. The company has a risk

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Management policy in place and has undertaken risk assessment. The major types of risks faced by the organization are:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk
- iv) Operational risk

SECTION E: Loans

Eldoret Municipal Council (EMC) had borrowed Kshs 1,058 billion from KFW to finance construction of Chebara dam. This loan was not repaid by EMC and when the company was incorporated, assets and liabilities related to the department of water and sewerage were transferred. The company requested National Treasury to restructure and reschedule the outstanding loan. The request was approved on June 2020 out of which the outstanding loan was reviewed to Kshs 372, 496,364.40 alongside the repayment schedule.

SECTION F: Assurance

For the period under review there is no major financial improbity. The Board of Directors as constituted is providing the oversight role effectively.

9. CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY REPORTING

Eldoret Water and Sanitation Company Limited (ELDOWAS) exists to transform and enhance quality of life. Our strategy statements requires that we will achieve 100% water services access of safe, affordable and potable water and waste water services for domestic, commercial, and all other categories of consumers within Eldoret Municipality and its immediate environs in Uasin Gishu County. The strategic plan guides us to deliver our strategy which is founded on three (3) pillars; capacity to meet demand, operational efficiency and organizational development. Below is a brief highlights of our achievements in each pillar.

Sustainability strategy and profile

The company continues to dedicate part of its surpluses to Corporate Social Responsibility activities aimed at enhancing the livelihoods of those in needs. ELDOWAS has strategically implemented CSR which has enhanced the company's image thereby creating great public goodwill from the communities. Our focus is on sustainable employment opportunities which promote self-sufficiency. With partners, we identify programmes to promote a better standard of living, create a more stable operating environment and improve relationships. We currently have over 50 water kiosks that are operated by local community based organizations that are conduits for job and wealth creation. The company has been in the forefront initiating pro-poor projects aimed at the provision of water and disposal of waste water in informal settlements. The company's first call to social responsibility is to invest in the internal customers and external customers in enhancing relationships so as to ensure that vision and the mission of the company is achieved.

Employee Welfare

The company has created a conducive working environment for all members of staff. These ranges from having in place Human Resource policy and manual, health and safety policy and committee, trainings in line with the Training Needs Assessments, a comprehensive medical cover, Collective Bargaining agreement among others. Hiring of employees follows the due process. The company has has not gone through staff unrest and has a negotiated Collective Bargaining Agreement (CBA) in place. The company makes reference to the Employment Act, 2007 in all aspects of staff including disciplinary procedures.

Environmental Performance

The Company strives to conduct its business in a way that minimizes environmental impact as well as promoting positive interaction with the community in accordance with sound ethical standards. Areas of focus included environmental conservation, Health, support to sporting activities, education and social welfare. ELDOWAS strives towards creating a healthy environment for its staff and customers by continually encouraging planting of

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trees in its sites. Environmental Social and Health Impact Assessment (ESHIA) is done on all major capital projects to identify potentially significant project-related impacts is always undertaken. These include impacts to surrounding communities, natural resources, biodiversity, air quality, land use, waste management, noise and public health. The company spend Kshs. 10 million to support water sources conservation including planting over 321,019 tree seedlings.

Community engagement

The company encourages public participation through various forums including water clinic days, Website, Barazas, Customers care. This provides an avenue that partnership and collaborations are nurtured. The company usually receives a number of CSR activities which are discussed and ratified in the Board meetings. Key among the requests are support to sporting activities, purchases of water tanks, construction of classrooms, among others. The support the company has given towards CSR activities and requests totals Kshs 3,707,279. The company also receive fund from WSTF to support building of toilets through UBSUP project. As at 30th June 2020, 159 new and 22 rehabilitated toilets had been completed with expenditure of Kshs. 3,763,874.10

Market Place Practices

Product stewardship is an integral part of ELDOWAS policy to protect people and the environment. It involves identifying, assessing and managing potential environmental, health, safety and integrity risks from harvesting/importing of water, treatment and distribution to customers; harvesting treatment and disposal of waste water. The company engages in responsible advertisement and competition. The company source for its materials competitively after following the due procurement process. When goods and services are delivered and received by the company, suppliers are paid in line with the credit policy to avoid bad relationships.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of ELDOWAS affairs

Principal Activity

The principal activity of the ELDOWAS is to provide Water and Sanitation Services within Eldoret Municipality and its immediate environs in Uasin Gishu County.

Results

The results for the year ended June 30, 2020 are shown on page 1.

Dividends

There shall be no dividends declared as per company's Articles of Association where it states that all profits shall be ploughed back to the company for provision of Water and Sewerage services.

Directors

The members of the Board of Directors who served during the year are shown on page v-vi.

Independent Auditors

The Auditor-General is responsible for the statutory audit of the company's books of account in accordance with Article 229 Sections 32 of the Public Finance Management (PFM) Act, 2012 or section 14 and 39 (i) of the Public Audit Act, 2015, and which empowers the Auditor-General to appoint another independent auditor to carry out the audit on his behalf.

The Auditor General carried out the audit of ELDOWAS for the year/period ended June 30, 2020.

BY ORDER OF THE BOARD,

Signed 

Dr. Paul Murgor

Managing Director

Date: 2/3/21

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Companies Act Cap 486 of Kenyan Law requires the Directors to prepare financial statements in respect of company which give a true and fair view of the state of affairs of company at the end of the financial year/period and the operating results of company for that year/period. The Directors are also required to ensure that company keeps proper accounting records which disclose with reasonable accuracy the financial position of company. The Directors are also responsible for safeguarding the assets of company.

The Directors are responsible for the preparation and presentation of ELDOWAS's financial statements, which give a true and fair view of the state of affairs of ELDOWAS for and as at the end of the financial year ended on June 30, 2020. 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 ELDOWAS; v) Selecting and applying appropriate accounting policies; and vi) Making accounting estimates that are reasonable in the circumstances.

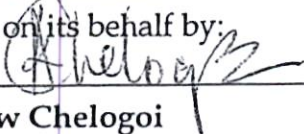
The Directors accept responsibility for ELDOWAS's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Company Act Cap 486. The Directors are of the opinion that ELDOWAS's financial statements give a true and fair view of the state of ELDOWAS's transactions during the financial year ended June 30, 2020, and of the ELDOWAS's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for ELDOWAS, which have been relied upon in the preparation of the ELDOWAS'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 ELDOWAS will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

ELDOWAS's financial statements were approved by the Board on 29/09/2020 2020

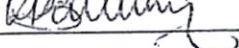
and signed on its behalf by:

Signed 

Mr. Andrew Chelogoi

Chairman (Board of Directors)

Date 02/03/2021

Signed 

Dr. Paul Murgor

Managing Director

Date 2/3/2021

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 ELDORET WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Eldoret Water and Sanitation Company Ltd set out on pages 1 to 49, which comprise the statement of financial position as at 30 June, 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Eldoret Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the Water Act, 2002 and the International Financial Reporting Standards and comply with the companies Act, 2015 (CAP 486) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Estimated Water Supply Bills

The statement of profit or loss and other comprehensive income reflects a balance of Kshs.673,245,821 under sales revenue which, as disclosed in Note 6 to the financial statements, includes an amount of Kshs.438,821,507 in respect of sales of water. However, an analysis of the water supply bill ledger revealed that out of the water supply bills issued during the year under review, bills totalling 509,231 out of total bills of 8,758,294 or 6% of the total bills were estimated from 103,952 clients and billed at Kshs.28,262,704. This is contrary to Section 7.5 of the Eldoret Water and Sanitation Company Limited Financial Regulation and Procedures Manual, 2016 which require the meter reading officer to prepare meter reading schedules covering all accounts to be read by meter readers.

Under the circumstances, the accuracy and completeness of sales of water revenue of Kshs.438,821,507 for the year ended 30 June, 2020 could not be confirmed.

2.0 Trade Receivables

2.1 Comparison between Company's and Debtors' Financial Statements

As disclosed in Note 18 to the financial statements, the statement of financial position as at 30 June, 2020 reflects trade and other receivables balance of Kshs.680,400,144. Review of a sample from the trade receivables schedule revealed various unreconciled variances between the balances reflected in the financial statements and those reflected in the respective debtor's financial statements as detailed below:

	Client	Balance as per Financial Statements Kshs.	Balance as per Debtor's Financial Statements Kshs.	Variance Kshs.
1.	RIVATEX East Africa Limited	2,916,271	1,916,271	1,000,000
2	Moi University	3,793,123	82,853	3,710,270
3	Eldoret Polytechnic	110,211	75,041	35,166
4	Chepkoilel	7,800,392	0	7,800,392
5	Moi Teaching and Referral Hospital	1,022,624	0	1,022,624
	Total	15,642,621	2,074,165	13,568,452

2.2 Customer Accounts

The trade and other receivables balance of Kshs.680,400,144 also includes an amount of Kshs.580,955,796 in respect of net trade receivables. However, review of customer's accounts as at 30 June, 2020 indicated that 46,009 customer's accounts with balances totalling to Kshs.386,717,621 were either disconnected, inactive or terminated as detailed below.

Customer Status	Number of customers	Balance (Kshs.)
Disconnected	9,913	121,391,707
Inactive	8,375	248,801,597
Terminated	27,721	16,524,317
Total	46,009	386,717,621

As at the time of audit, Management had not assessed the customer's accounts amounting to Kshs.386,717,621 for write off. Further, the receivables balance of Kshs.680,400,144 is net of provision for bad and doubtful debts of Kshs.60,000,000 which may not be adequate.

2.3 Long Outstanding Trade Receivables

As disclosed in Note 18 to the financial statements, the receivables balance of Kshs.580,955,796 comprised of trade receivables balance of Kshs.572,914,870 and cleansing balance of Kshs.76,631,158. Review of the debtors' ageing analysis revealed that accounts receivables totalling to Kshs.460,969,625 has been outstanding for over six (6) months and no evidence was presented to indicate the measures or strategies the Management had put in place to recover the outstanding debts.

2.4 VAT Refunds

The trade and other receivables balance of Kshs.680,400,144 includes Value Added Tax (VAT) refunds of Kshs.77,658,960 which were not supported with movement schedule, VAT audit certificate and analysis detailing the date, description of goods or services, supplier, invoice number, invoice amount and VAT amounts. Further, there was no evidence of effort by Management to recover the amount from the Kenya Revenue Authority.

Under the circumstances, the accuracy and completeness of the trade receivables balance of Kshs.680,400,144 as at 30 June, 2020 could not be confirmed.

3.0 County Government of Uasin Gishu (Borrowing)

As disclosed in Note 25 to the financial statements, the statement of financial position reflects a balance of Kshs.335,416,667 in respect of County Government of Uasin Gishu (Borrowing). The balance relates to a long-term loan from Kreditanstalt Fuer Wiederaufbau (KfW) to the Republic of Kenya to finance the Eldoret Water Supply Phase II project inherited from the defunct Eldoret Municipal Council.

Review of the Loan restructuring and rescheduling agreement between the Government of the Republic of Kenya and the Eldoret Water and Sanitation Company Limited (Eldoret II Water Supply Project) dated 20 June, 2020 indicated that the Cabinet approved the write-off of loan amounting to Kshs.686,177,460. The Cabinet also approved the restructuring of loan amounting to Kshs.372,496,364 and waiver of accrued interest amounting to Kshs.921,438,328. However, the financial statements reflected a waiver of Kshs.775,947,253 resulting to an unexplained variance of Kshs.145,491,075.

Review of the loan position during the year ended 30 June, 2020 revealed that the Company made payments of Kshs.14,583,333 towards settlement of the loan in accordance with a rescheduling and restructuring arrangement.

Under the circumstances, the accuracy and completeness County Government of Uasin Gishu (Borrowing) balance of Kshs.335,416,667 as at 30 June, 2020 could not be confirmed.

4.0 Unsupported Grant from County Government of Uasin Gishu

The statement of financial position as at 30 June, 2020 reflects a balance of Kshs.51,369,803 in respect of Uasin Gishu County grant, out of which an amount of Kshs.2,425,490 was received during the year under review. However, the Grant Agreement was not provided for audit review.

Consequently, the accuracy and propriety of the balance of Kshs.2,425,490 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Eldoret 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 qualified opinion.

Key Audit Matters

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

Other Matter

1.0 Financial Performance

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2020 reflects total revenue of Kshs.759,242,574 and a total expenditure of Kshs.871,595,549 resulting in a loss of Kshs.112,352,975.

In the circumstances, if this loss-making trend is not reversed, the Company is likely to face financial difficulties in meeting its operating obligations as they fall due.

2.0 Budgetary Control and Performance

The Company had an approved expenditure budget of Kshs.1,305,980,320 comprising development budget of Kshs.320,893,551, finance cost of Kshs.72,134,663 and operating expenses budget of Kshs.912,952,108. The company's actual expenditure amounted to Kshs.1,008,290,970, resulting to under absorption of Kshs.297,689,352 or 23%. Similarly, the Company had a revenue budget of Kshs.1,336,368,850 while actual collections amounted to Kshs.984,512,221, resulting in an under-collection of Kshs.351,856,629 or 23%. The under collection and under expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Eldoret.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) 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

1.0 Non-Revenue Water

During the year under review, the Company produced 15,104,328 cubic meters (m³) of water out of which 8,758,294 cubic metres (m³) was billed to customers for Kshs.438,821,507 resulting in 6,346,034 cubic meters (m³) Non-Revenue Water or approximately 42% of the produced water. This is 17% over and above the recommended maximum of 25% by the Water Services Regulatory Board (WASREB) guidelines. No explanation was provided for the high percentage of unaccounted for water. The significant level of Non-Revenue Water of 6,346,034 m³ at a rate of Kshs.50.10 per cubic metre may have resulted in a loss of sales estimated at Kshs.317,958,749 which could have reversed the loss to profit had it been billed. This may therefore, impact negatively on the Company's profitability and its long-term sustainability.

2.0 Expired Tariff

The statement of profit or loss and other comprehensive income reflects a balance of Kshs.673,245,821 under sales revenue. However, the Company' tariff expired on 30 June, 2018 and no explanation was provided for the delay in obtaining approval for a new tariff from the Water Services Regulatory Board (WASREB) and the Lake Victoria North Water Services Board (LVNWSB). As a result, sales from billing income of Kshs.659,562,139 was irregularly billed on customers.

Consequently, the Company Management was in breach of the law.

3.0 Irregular Acting Allowances

The statement of profit or loss and other comprehensive income reflects an expenses balance of Kshs.846,945,332 which, as disclosed in Note 11 to the financial statements, includes staff costs of Kshs.323,629,082. The latter balance includes an amount of

Kshs.875,921 paid to staff as acting allowances to fifteen (15) officers who have been acting for more than six (6) months. This is contrary to Section C.14(1) of Human Resource Policies and Procedures Manual for the Public Service issued in May, 2016 which requires that acting allowances will not be payable to an officer for more than six (6) months.

The Management was in breach of the human resource manual.

4.0 Staff Regional Diversity

During the year under review, the Company had a total of two hundred and ten (210) permanent staff out of which one hundred and fifty-three (153) employees or 72% of the total work force were from one dominant ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Commission Act, 2008 which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment should have more than one third of its staff from the same ethnic community.

The Management was therefore in breach of the law.

5.0 Trade and Other Payables

As previously reported, the statement of financial position reflects a balance of Kshs.417,302,334 under trade and other payables which, as disclosed in Note 28 to the financial statements, includes an amount of Kshs.239,494,930 in respect of accrued expenses payable. Out of the accrued expenses payable of Kshs.239,494,930, Kshs.186,087,504 was owed to Uasin Gishu County Government while the balance of Kshs.53,407,426 was owed to the Lake Victoria North Water Works Development Agency (LVNWWDA). The amount due to Uasin Gishu County Government was on account of lease charges for assets pursuant to an addendum to the lease agreement signed between Eldoret Water and Sanitation Company Ltd (ELDOWAS) and the Municipal Council of Eldoret on 27 May, 2002. The amount had been outstanding since 30 June, 2016 .The Lease Agreement prescribed the annual lease charges at Kshs.42,770,000 per annum for the financial years 2015/2016, 2016/2017 and 2017/2018.

Available information indicated that the Company, in an extra ordinary general meeting held on 22 January, 2016, resolved to stop further payment of lease charges to the County Government of Uasin Gishu.

The Company Management was in breach of the lease agreements.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 the Companies Act, 2015, I report based on my audit, that:

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) 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 overall 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 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.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Company 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 overall 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 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 cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


CPA Nancy Gathanga, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

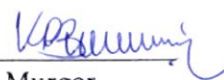
	Notes	2020 Kshs	2019 Kshs
REVENUES			
Sales	6	673,245,821	659,065,371
Other Income	7	33,072,524	39,032,484
Interest Earned	8	17,540,535	16,755,003
Gain on Disposal	9	1,987,300	-
Amortization income	10	35,923,941	35,546,627
Fair value loss arising from physical changed on Biological assets	15	(2,527,547)	-
Total Revenues		759,242,574	750,399,485
Expenses			
Operating Loss	11	(846,945,332)	(767,222,440)
		(87,702,758)	(16,822,955)
Finance costs	12	(24,504,383)	-
Profit/(Loss)		(112,207,141)	(16,822,955)
Other Comprehensive Income			
Loans restructuring/rescheduling write off	25	686,177,460	-
Loans restructuring waiver of accrued interest	25	775,947,253	-
		1,349,917,572	(16,822,955)

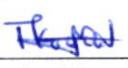
Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2020

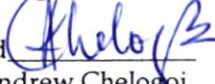
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	Notes	2020 Kshs	2019 Kshs
Non-current Assets			
Property/plant & Equipment	13	2,512,951,163	2,016,394,409
Intangible Assets	14	1,605,501	6,463,623
Biological Assets	15	36,613,830	31,608,072
Investments- Treasury bills	16	57,000,000	47,000,000
Total Non-Current Assets		2,608,170,494	2,101,466,104
Current assets			
Inventories	17	20,283,699	25,678,090
Trade and other receivables	18	680,400,144	707,581,494
Cash & bank balances	19	215,743,363	377,394,101
Total Current Assets		916,427,206	1,110,653,685
Total Non-Current Assets/Current Assets		3,524,597,700	3,212,119,789
EQUITY			
Capital and Reserves			
Share capital	20	100,000	100,000
Retained earning		1,214,423,038	(135,494,534)
Capital and Reserves		1,214,523,038	(135,394,534)
Capital fund			
KFW grant for sanitation project	21	740,333,394	769,791,106
Grant National Housing	22	136,513,378	140,202,929
Grant Water Sector Trust Fund	23	41,277,564	42,395,718
Grant Uasin Gishu County	24	51,369,803	50,602,838
		969,494,139	1,002,992,590
NON-CURRENT LIABILITIES			
CGUG account	25	335,270,833	1,812,124,713
Expansion of Chebara T. Works Loan	26	298,561,015	-
Kesses/Lessos Aug. works Loan	27	201,662,668	-
Total Non-current Liabilities		835,494,516	1,812,124,713
Current liabilities			
Trade creditors & other payables	28	417,302,334	447,062,946
Customer Deposits	29	86,311,962	83,930,636
Provision for liabilities & other charges	30	1,471,711	1,403,438
Total Current liabilities		505,086,007	532,397,021
TOTAL EQUITY AND LIABILITIES		3,524,597,700	3,212,119,789

The financial statements were approved by the Board on 29th September, 2020 and signed on its behalf by:

Signed 
 Dr. Paul Murgor
 Managing Director
 Date 02/03/2021

Signed 
 CPA Timothy Kiptala (M/N 7634)
 Ag. Head of Financial Services
 Date 02/03/2021

Signed 
 Mr. Andrew Chelogoi
 Chairman of the Board
 Date 02/03/2021

Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
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15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Statement of changes in Equity			
	Share Capital Kshs.	Retained Earnings Kshs.	Total Kshs.
At the beginning of the year 1/07/2018	100,000	(150,279,651)	(150,179,651)
Surplus for the year		(16,822,955)	(16,822,955)
Valuation of biological assets		31,608,072	31,608,072
At the end of the year 30/06/2019	100,000	(135,494,534)	(135,394,534)
At the beginning of the year 1/07/2019	100,000	(135,494,534)	(135,394,534)
Surplus for the year		1,349,917,572	1,349,917,572
At the end of the year 30/06/2020	100,000	1,214,423,038	1,214,523,038

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16. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2020

Cash generated from operations			
reconciliation of profit to cash generated from operations			
Operating Activities		2020	2019
		Kshs	Kshs
Operating Loss		(112,207,141)	(16,822,955)
Add: Depreciation for the year	11	124,693,862	106,546,455
Add: Amortization of Intangible	14	5,943,277	5,802,249
Less: Amortization of Grants income	10	(35,923,941)	(35,546,627)
Operating loss before working capital changes		<u>(17,493,943)</u>	<u>59,979,122</u>
Changes in working capital:			
Inventory	17	5,394,391	(9,379,955)
Debtors	18	27,181,350	1,792,168
Trade and other payables	28	(29,760,612)	75,921,623
Customer deposits	29	2,381,326	4,376,703
Provision for liabilities & other charges	30	68,273	106,737
Cash generated from operations		<u>5,264,728</u>	<u>72,817,276</u>
Net cash generated from operating activities		(12,229,215)	132,796,398
Investing Activities			
Fixed assets additions	13	(621,250,616)	(136,087,144)
Intangible assets additional	14	(1,085,155)	(2,645,530)
Biological Assets	15	(5,005,758)	-
Grant CGUG	24	2,425,490	9,122,829
Increase in treasury bills	16	(10,000,000)	(10,000,000)
		<u>(634,916,039)</u>	<u>(139,609,845)</u>
Financing Activities			
Loans	26/27	516,615,660	
Loan repayments	25/26/27	(31,121,144)	(22,496,364)
		<u>485,640,350</u>	<u>(22,496,364)</u>
NET CHANGES IN CASH AND CASH EQUIVALENT		(161,650,738)	(29,309,811)
Cash and cash equivalent at the beginning of the year		377,394,101	406,703,912
Cash and cash equivalent at the end of the year	19	<u>215,743,363</u>	<u>377,394,101</u>
		<u>215,743,363</u>	<u>377,394,101</u>

Eldoret Water and Sanitation Company Limited
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original Budget	Adjustment	Final Budget	Actual on comparable basis	Performance Difference	% of utilization
	2019-20	2019-20	2019-20	2019-20	2019-20	2019-20
REVENUES						
Sales from Billing Income	925,933,928	(11,730,078)	914,203,850	673,245,821	(240,958,029)	74%
Other Income	52,640,000	1,525,000	54,165,000	32,532,277	(21,632,723)	60%
Interest Accrued	7,882,922	10,117,078	18,000,000	17,540,535	(459,465)	97%
Amortization income			-	35,923,941	35,923,941	
Arrear Collection 10%	60,000,000	(10,000,000)	50,000,000	48,891,506	(1,108,494)	98%
Ovsn Financing	300,000,000	-	300,000,000	176,378,141	(123,621,859)	59%
TOTAL REVENUES	1,346,456,850	(10,088,000)	1,336,368,850	984,512,221	(351,856,629)	74%
EXPENSES						
TOTAL OPERATING EXPENSES	901,736,925	11,215,183	912,952,108	846,945,332	66,006,776	93%
Finance Costs	98,601,329	(26,466,666)	72,134,663	55,625,527	16,509,136	77%
Developments budget	345,884,662	(24,991,111)	320,893,551	105,720,111	215,173,440	33%
TOTAL EXPENSES	1,346,222,916	(40,242,594)	1,305,980,322	1,008,290,970	297,689,352	77%

Remarks

The variance in the budget was caused by the following reasons:

1. Non-achievement of Budget assumption on NRW which stood at 42% against 27% used during budgeting of revenue which had direct impact on expenditure.
2. Delay in the Approval by WASREB of new tariff which had been anticipated to take effect in quarter 4 2019/20. Average tariff was Kshs 63 was used during budgeting as provided in the new tariff instead of Kshs 56 the old tariff.
3. The effect of Covid-19 pandemic delayed delivery of supply of material and implementation of projects. The work in progress of Kshs. 62,231,177 (note 8) and pending LPOs.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Eldoret Water and Sanitation Company Limited (ELDOWAS) was incorporated in October 1997 under Companies act (CAP 486 Laws of Kenya). It started operations in the year 2000. The County Government of Uasin Gishu is the principal shareholder. Under the Water Act 2016, ELDOWAS carries out its functions as a Water Services provider under the license provided by Water Sector Regulatory Board (WASREB). The principal activities of the Company are to provide Water and Sewerage Services within Eldoret Municipality and its immediate environs in Uasin Gishu County.

Kenyan Companies Act CAP 486 for reporting purposes requires that the Company's financial statements should comprises of statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes. Income and expenses including the components of other comprehensive income are recognised in the profit and loss account.

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 has also been prepared on a going concern basis in conformity with International Financial Reporting Standards (IFRS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. They have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act of 2016, companies Act CAP 486, 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 2020

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 recognise 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 recognise a right-of-use asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2020, allow entities to measure prepayable financial assets with negative compensation at amortised 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 2020, 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 2020, 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 2020, 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 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax

NOTES TO THE FINANCIAL STATEMENTS (Continued)

consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised 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 2020, 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 2019)

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 2020, 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.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

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 2019- Applicable for annual periods beginning 1 January 2020)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

iii) Early adoption of standards

The entity did not early - adopt any new or amended standards in year 2019.

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

- i) **Revenue from the sale of goods and services** is recognised in the month in which the ELDOWAS bills its customer based meter readings of water and sewer consumed.
- ii) **Grants from National and County Governments** are recognised in the year in which the *company* actually receives such grants and then amortized over the economic life of the assets its funding
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Other income** is recognised 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-evaluation 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-evaluation 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 recognised in profit or loss in the income statement.

d) **Depreciation and impairment of property, plant and equipment**

All categories of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

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:

Dams, buildings, water and sewer works	40 years
Plant and machinery	8 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years
Tools	3 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. Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use. Usually over 3 years. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 33.3 %. 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

f) **Amortisation and impairment of intangible assets**

Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 33.3 %. 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) **Equity investments**

Equity investments are stated at cost less provision for any permanent diminution in value. Currently ELDOWAS has Treasury bills.

h) **Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges.

i) **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.

j) **Taxation**

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in net assets and not in the statement of financial performance/ income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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 Standard Chartered Bank Eldoret branch and other banks at end of the financial year.

l) 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.

m) 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 ELDOWAS or not, less any payments made to the suppliers.

n) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees administered by Local Authorities Pension Trust (LAPTRUST) 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.200 per employee per month.

o) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees.

p) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) *Budget information*

The original budget for FY 2019-2020 was approved by the Board and subsequently forwarded to the County Treasury on 5th April 2019. Subsequent revisions or supplementary budgets were made to the approved budget in accordance with specific approvals from the Board.

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.

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 page 6 of these financial statements.

r) **Comparative figures**

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

s) **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, 2020.

t) **Related Parties**

The Company regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over it or vice versa.

The company is one of the Water Service Provider under Lake Victoria North Water Works Development Agencies (LVNWWDA). LVNWWDA is expected to provide infrastructural development. During the financial year, the Agency completed and handed over Ellegrini/Kapsoya Water Supply. The company is also owned 100% by the County Government of Uasin Gishu and has a representation of 2 (Two) out of 8 (Eight) Directors in the Board.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Members of Corporate Management Team and the Board of Directors are also regarded as related parties. The breakdown of the total remuneration for Key management staff and board allowances is as below

Name	2019/2020 (Kshs.)	2018/2019 (Kshs.)
Board allowances and Honoraria	19,613,793	25,535,931
Key Management allowances	23,221,100	23,319,600
Total	42,834,893	48,855,531

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.

In the process of applying the accounting policies adopted by the company, the directors make certain judgments and estimates that may affect the amounts recognized in the financial statements. Such judgments and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgments and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgments and estimates are recognized in the year in which the revision is made.

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- a) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and
- b) Whether the company has the ability to hold 'held-to maturity' investments until they mature. If the company were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value

Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. In the opinion of the directors, they have made no assumptions and there are no sources of estimation uncertainty that are likely to cause a material adjustment to the carrying amount of assets and liabilities within the next financial year

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kshs	Kshs
6 Analysis of turnover		
Sales of Water	438,821,507	446,025,779
Sewer Services Income	196,997,164	177,012,942
Meter Charge	37,427,150	36,026,650
	673,245,821	659,065,371
7 Other Non-billing income		
Turn on Fees	5,313,156	11,986,128
Reconnection Fees	11,205,584	15,352,097
Penalty/Surcharge	631,562	948,052
Estimate of new connection	5,992,582	-
Sewer Connection Charges	713,480	667,811
Sale of sludge	5,400	
Blockage charges	558,000	-
Meter Testing	53,335	50,810
House Rent Income a/c	83,600	97,200
Hire of Machinery/Vehicles	3,331,474	8,511,805
Water Sampling/Tests	849,576	1,127,866
Sale Of Stores	296,800	290,715
Other income	4,037,975	
	33,072,524	39,032,484
8 Interest earned	17,540,535	16,755,003
9 Gain on disposal	1,987,300	-
10 Amortization Income	35,923,941	35,546,627
11 Expenses	2020	2019
	Kshs	Kshs
Staff Costs	323,629,082	289,339,049
Training Costs	7,189,270	10,631,272
Business Travel	13,671,645	15,232,690
Overnight Allowance	9,338,509	16,862,104
License	2,035,618	1,967,617
Electricity	16,783,247	14,010,282
Telephone	6,673,392	5,170,191
Postage	3,846,923	1,904,907
LVNWWDA Fees	0	14,122,654
WASREB Fees	25,528,562	24,172,745
WARMA	11,593,510	8,103,622
Lab Charges & Reagents	4,291,954	2,192,086
Water & Sewerage	5,419,701	3,743,616

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Insurance	32,622,859	27,193,288
Security Services	15,677,979	14,937,744
Pro-Poor	945,522	633,653
Rates	0	48,000
Stationery	2,690,650	2,853,812
Advert & Public Relation	2,065,701	4,900,746
Subscriptions	1,012,880	1,067,809
Donations	251,000	283,000
Bank Charges	2,466,606	2,020,254
Audit Fees	348,000	348,000
Professional Fees	5,742,829	5,696,095
Function/Celebration	4,190,073	4,572,151
Board Expenses	19,613,793	25,535,931
Other Office Expenses	3,904,975	3,151,001
Water Chemicals	36,693,450	30,966,620
Uniforms	2,928,744	3,773,268
Fuel/Oil/Lubricants	19,936,467	12,159,357
Cleaning & Laundry Material	5,971,499	3,937,547
HIV/Aids Programme	855,960	729,870
Rent Area Offices	3,758,040	3,270,150
Sports	8,408,978	5,823,098
CSR Activities	7,442,253	2,231,100
ISO Activities	2,100,787	3,694,557
Legal Costs	15,160,911	3,691,053
NRW Activities	12,848,993	7,514,769
Tax Assessments And Penalties	2,547,986	1,129,390
Stakeholders Engagement	1,266,000	0
Building Maintenance	5,135,546	6,489,183
Grounds Maintenance	3,955,726	3,338,412
Plant & Machinery Maintenance	12,141,511	11,270,976
Meter Maintenance	14,176,719	9,116,797
Maintenance Office Equip.	837,779	456,902
Office Furniture Repairs	16,804	137,203
Vehicle Repair& Maintenance	4,370,048	6,146,577
Repair Parts & Material	20,518,899	32,118,926
Access Road Maintenance	569,691	202,864
Tools	594,511	1,512,769
Conservation Of Water Resources	2,536,611	4,468,029
Depreciation	124,693,862	106,546,455
Amortization Of Intangible Assets	5,943,277	5,802,249
Increase in doubtful debts	10,000,000	0
Total Expenses	846,945,332	767,222,440

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Finance Costs							2020	2019
							Kshs	Kshs
KWF Loan Phase II of Kshs. 350 Million							8,604,166	-
Expansion of Chebara Loan							9,332,233	-
Kesses/Lessos Loan							6,567,984	-
							<u>24,504,383</u>	<u>-</u>
13 Non-Current Assets	Land	Buildings, Water & Sewer Works	Computers, Copiers Faxes	Motor Vehicles	Meters, Equipment, Furniture & Tools	work in progress	Total	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
At 1st July, 2018	130,155,455	2,742,805,110	39,160,842	51,485,693	223,152,720	13,209,775	3,199,969,597	
Transfer by Company		1,721,931				(1,721,931)		
Transfer by County		4,201,443				(4,201,443)		
Additions - Company	2,350,000	9,776,950	5,301,600	22,054,500	63,484,316		102,967,366	
Addition County					3,464,200		3,464,200	
Work in Progress- Company						29,655,579	29,655,579	
At 30th June, 2019	<u>132,505,455</u>	<u>2,758,505,435</u>	<u>44,462,442</u>	<u>73,540,193</u>	<u>290,101,236</u>	<u>36,941,980</u>	<u>3,336,056,742</u>	
DEPRECIATION:								
At 1st July, 2018	-	992,766,759	36,049,375	41,778,877	142,520,867	-	1,213,115,878	
Depreciation		68,758,686	3,441,274	9,000,266	25,346,229		106,546,455	
At 30th June, 2019	<u>-</u>	<u>1,061,525,445</u>	<u>39,490,649</u>	<u>50,779,143</u>	<u>167,867,096</u>	<u>-</u>	<u>1,319,662,333</u>	
NET BOOK VALUE:	<u>132,505,455</u>	<u>1,696,979,989</u>	<u>4,971,794</u>	<u>22,761,050</u>	<u>122,234,140</u>	<u>36,941,980</u>	<u>2,016,394,409</u>	
At 1st July, 2019	132,505,455	2,758,505,435	44,462,442	73,540,193	290,101,236	36,941,980	3,336,056,742	
Transfer by County		1,232,049				(1,232,049)		
Additions - Company		528,440,010	1,008,000	8,233,695	43,187,147		580,868,852	
Additions - County		13,860,519					13,860,519	
Work in Progress- Company						26,521,245	26,521,245	
Disposal				(6,254,895)			(6,254,895)	
At 30th June, 2020	<u>132,505,455</u>	<u>3,302,038,013</u>	<u>45,470,442</u>	<u>75,518,993</u>	<u>333,288,383</u>	<u>62,231,177</u>	<u>3,951,052,463</u>	
DEPRECIATION:								
At 1st July, 2019	-	1,061,525,445	39,490,649	50,779,143	167,867,096	-	1,319,662,333	
Disposal				(6,254,895)			(6,254,895)	
Depreciation		82,346,999	3,425,597	11,058,690	27,862,576		124,693,862	
At 30th June, 2020	<u>-</u>	<u>1,143,872,444</u>	<u>42,916,246</u>	<u>55,582,938</u>	<u>195,729,672</u>	<u>-</u>	<u>1,438,101,300</u>	
NET BOOK VALUE:	<u>132,505,455</u>	<u>2,158,165,568</u>	<u>2,554,197</u>	<u>19,936,055</u>	<u>137,558,711</u>	<u>62,231,177</u>	<u>2,512,951,163</u>	

Non-current Assets totalling Kshs 184,800,875 had been fully depreciated by the end of the financial year 2019/20 as shown be:

Class of the asset	Accumulated Depreciation
Buildings, Water and Sewer Works	8,158,045
Computers, Copiers and Faxes	34,970,820
Motor Vehicles & Motor Cycles	31,284,234
Meters Equipment Furniture & Tools	110,387,776
Total	184,800,875

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Intangible Assets	2020	2019
	Kshs	Kshs
Cost	17,406,748	14,761,218
Additional	1,085,155	2,645,530
Accumulated amortization	(10,943,125)	(5,140,876)
Less Amortization	(5,943,277)	(5,802,249)
Net Book Value	1,605,501	6,463,623
15 Biological Assets	2020	2019
	Kshs	Kshs
Fair value at the beginning of the year	31,608,072	-
Additional at cost	7,533,305	-
Fair value loss arising from physical changed	(2,527,547)	31,608,072
Fair value at the end of the year	36,613,830	31,608,072
16 Investments	2020	2019
	Kshs	Kshs
Treasury bills	57,000,000	47,000,000
	57,000,000	47,000,000
17 Inventories	2020	2019
	Kshs	Kshs
General stores	2,018,337	1,161,614
Stationery	1,443,620	1,898,651
Electrical items	609,000	1,131,956
Water fittings and chemicals	16,212,742	21,485,869
	20,283,699	25,678,090
18 Trade Receivables	2020	2019
	Kshs	Kshs
Trade receivables	572,914,870	585,288,838
Cleansing	76,631,158	68,420,989
Less provision for doubtful debts	(60,000,000)	(50,000,000)
Cash received pending allocation	(8,590,232)	(5,005,704)
Net Trade receivables	580,955,796	598,704,123
Add: Salary Advances directors	-	149,421
Debtors General	2,369,178	3,233,557
Prepaid Accounts	7,548,202	5,276,118
Vat Refunds	77,658,960	93,338,335
Utilities Deposits	7,092,100	1,575,100
other advances	4,775,908	5,304,840
Total Receivables	680,400,144	707,581,494

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Cash and bank balances		2020	2019
		Kshs	Kshs
Standard chartered Bank Kenya Ltd			
Current account	01020177043000	1,005,854	2,655,400
Savings account	01520177043000	10,563,694	270,165
		<u>11,569,548</u>	<u>2,925,565</u>
KCB Accounts			
Loan Repayment	1124608729	147,274	49,433,809
Customer Deposit	1124608524	432,209	6,133,161
Customer Collection	1181280184	191,074	47,361
KCB Fixed Deposit	1124608729	200,000,000	300,000,000
Equity Bank	0300294625495	1,281,256	757,892
Co-operative Bank	01148685815500	-	232,347
Post Bank	744130011801	10,000	331,162
Family Bank	085000076059	900,791	16,826,409
Family Bank - WSTF UBSUP	085000092804	(247,428)	-
M-Pesa	37867541-17	980,873	403,079
Airtel Money		427,766	286,089
Petty cash		50,000	17,227
		<u>215,743,363</u>	<u>377,394,101</u>
		2020	2019
		Kshs	Kshs
20 Share capital		100,000	100,000
Authorized, issued and fully paid			
5,000 shares of Ksh 20/- each		<u>100,000</u>	<u>100,000</u>
		2020	2019
		Kshs	Kshs
21 KFW grant for sanitation project			
Balance B/F		769,791,106	799,248,818
less Amortization for the Year		(29,457,712)	(29,457,712)
Balance C/F		<u>740,333,394</u>	<u>769,791,106</u>
<p>This grant was for rehabilitation of quarry treatment works, extension of sewer networks and construction of new sewerage treatment at kipkenyo. The company has been amortizing this grant every year</p>			
		2020	2019
		Kshs	Kshs
22 Grant National Housing			
Balance B/F		140,202,928	143,892,479
less Amortization for the Year		(3,689,550)	(3,689,551)
Balance C/F		<u>136,513,378</u>	<u>140,202,928</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Ministry of National Housing and Corporation financed the construction of Langas-kipkaren trunk Sewerline. The project started in September 2009 and was completed in August 2011.

	2020	2019
	Kshs	Kshs
23 Grant water trust fund		
Balance B/F	42,395,718	43,513,872
less Amortization during the year	(1,118,154)	(1,118,154)
Balance C/F	<u>41,277,564</u>	<u>42,395,718</u>

These are grants from Water Trust Fund to provided Water and Sanitation Services in informal settlement schemes within Eldoret Municipality. The Ist Call was received in 2009 and the company received funds upto 5th call by end of 30th June 2014.

	2020	2019
	Kshs	Kshs
24 Grant from County Government of Uasin Gishu		
Balance B/F	50,602,838	42,761,220
Grants received during the year	2,425,490	9,122,829
less Amortization for the Year	(1,658,525)	(1,281,211)
Balance C/F	<u>51,369,803</u>	<u>50,602,838</u>

The company received the Grant from County Government of Uasin Gishu to improve water network

	2020	2019
	Kshs	Kshs
25 County Government of Uasin Gishu (Borrowing)		
Loans		
Loans	1,812,124,713	1,834,621,077
Loan restructuring written off	(686,177,460)	-
Loan waiver of accrued interest	(775,947,253)	-
Principal paid	(14,729,167)	(22,496,364)
	<u>335,270,833</u>	<u>1,812,124,713</u>

	2020	2019
	Kshs	Kshs
26 Expansion of Chebara Water Works Loans		
Loans	308,181,874	-
Principal paid	(9,620,859)	-
	<u>298,561,015</u>	<u>-</u>

	2020	2019
	Kshs	Kshs
27 Kesses/Lessos Augmentation Works Loans		
Loans	208,433,786	-
Principal paid	(6,771,118)	-
	<u>201,662,668</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28	Trade and other payables	2020	2019
		Kshs	Kshs
	Trade	85,150,961	82,214,340
	Payroll	(37,500)	121,579
	Cleansing charges	76,631,158	68,420,989
	Accrued expenses payable	239,494,930	246,209,658
	Advance payments	16,062,785	50,096,380
		417,302,334	447,062,946
29	Customer deposits	2020	2019
		Kshs	Kshs
	Balance B/f	83,930,636	79,553,933
	Additions	2,381,326	4,376,703
	Balance c/f	86,311,962	83,930,636
	These are deposits received from customers pursuant to water supply agreements.		
30	Provisions	2020	2019
		Kshs	Kshs
	Audit fees	696,000	696,000
	Vat withholding	775,711	707,438
		1,471,711	1,403,438
31	Transactions with related parties	2020	2019
	a) Sales to related parties	Kshs	Kshs
	Sales to County Government Uasin Gishu	49,850,455	47,030,640
		49,850,455	47,030,640
		2020	2019
		Kshs	Kshs
	b) Grants from County Government Uasin Gishu	2,425,490	9,122,829
		2,425,490	9,122,829
	c) Key Management Compensation	2020	2019
		Kshs	Kshs
	Board allowances and Honoraria	19,613,793	25,535,931
	Key Management allowance	23,221,100	23,319,600
		42,834,893	48,855,531

APPENDIX I ON-GOING PROJECTS (WORK-IN-PROGRESS)

NO.	PROJECT	SCOPE	LENGTH (KM)	ESTIMATE D BUDGET	EXPENDED AMOUNT	SOURCE OF FUNDING
WATER WORKS						
1	Action Water improvement project	Excavation, Laying and backfilling of 1.9 km, 90mm and 0.6 km, 63mm new HDPE pipelines. Installation of fittings along the main lines.	2.5	1,551,239	378,680	Internal
2	AIC Malel Langas Water Extension project	Proposed 90mm, 600 m long and 63mm, 400m long HDPE pipelines	0.4	1,151,745	472,794	Internal
3	Kao La Amani Water Pipeline Replacement Project	Excavation, Laying and backfilling of 315 mm diameter HDPE pipeline 2.8 km from Kao la Amani to Moi Girls to replace the existing 6" parallel Asbestos Cement pipelines	2.8	29,936,109	12,405,867	Internal
4	Kipkorgot Water Extension Project	Excavation, Laying and backfilling of over 45km of 90mm and 63mm new HDPE pipelines to serve the residents of Kipkorgot and its neighbourhood	45	25,500,000	25,992,053	Internal
5	Stabex, Southern flats-Mwanzo Replacement Project	Proposed 160mm, 1400m length and 63mm, 1720m length HDPE water pipelines	1.72	5,289,262	662,075	Internal
6	Kipkenyo Water Replacement Project	Upgrading of existing 63mm Upvc water pipelines to 90mm 4830m HDPE	4.83	3,709,289	3,790,862	Internal
7	Chepkanga water upgrading projects	Upgrading of existing 50mm UPVC pipeline to 110mm HDPE 4300m length (Chepkanga, Kaptuktuk, Sosiot and Marura)	4.3	7,585,778	4,591,010	Internal
8	Ancilla Water Extension Project phase 1	Extension of water network to Ancilla School	2	7,200,000	1,602,101	cost sharing with the community
	Total			81,923,422	49,895,442	
SEWER WORKS						
1	Moi University Annex Sewer line	250mm UPVC and Construction of manholes	2.4	17,644,344	4,398,552	Internal
2	Ngurunga sewer line	200mm UPVC and Construction of manholes	1.8	10,753,864	7,937,183	Internal
	Total			28,398,208	12,335,735	
	Grand Total			110,321,630	62,231,177	

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APPENDIX II: PROGRESS ON FOLLOW UP OF 2018/19 DRAFT REPORT OF THE AUDITOR GENERAL RECOMMENDATIONS

Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
1.0	<p>Accuracy, Presentation and Completeness of Financial Statements</p> <p>i)Inventories is indicated as note 13 on the face of the statement of financial position whereas note 13 in the notes to financial statements relate to trade and other receivables.</p> <p>ii)Trade and other receivables is referenced as note 14 on the face of the statement of financial position whereas note 14 relate to cash and bank balances</p> <p>iii)Expenses in the statement of comparison of budget and actual amounts are not presented in the way they are in the statement of profit or loss for the year and no reconciliation has been provided</p> <p>iv)Projects implemented by the company and their status have not been disclosed as required by the template issued by PSASB</p> <p>v)Movement between the original and final budget in the statement of comparison of budget and</p>	<p><i>This has been corrected in the revised financial statements</i></p> <p><i>This has been corrected in the revised financial statements</i></p> <p><i>This has been corrected in the revised financial statements</i></p> <p><i>This has been disclosed Note 26 of the financial Statements</i></p> <p><i>This has been indicated and corrected in the revised financial statements</i></p> <p><i>This has been indicated in the financial statements</i></p> <p><i>Approved Final 2018-19 supplementary budget has been issued</i></p>	Stephen Psiwa-Head of Financial Services	30/4/2020

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	<p>actual amounts has not been provided</p> <p>vi) Although fully depreciated assets have been disclosed in note 9 to the financial statements, categories of the assets have not been indicated</p> <p>vii) The statement of comparison of budget and actual amounts reflect figures which differ from the approved supplementary budget</p>			
2.0	<p>Missing receipts identity numbers</p> <p>The statement of financial position 30 June 2019 reflects trade and other receivables of Kshs.707,590,453 which include trade receivables of Kshs.586,059,467 as disclosed in note 13 to the financial statements. However, a review of receipts from customers for the year indicated that 179,823 payment identity numbers were missing while 857 receipts numbers amounting to Kshs.859,526 did not follow the conventional sequence of receipt generation in the system. Consequently, all receipts for the year may not have been accounted for and therefore the accuracy and</p>	<p>a) <i>The payment id in the extract earlier shared was extracted from the system based on transactions payment date i.e date when clients made payment. Some transactions paid on dates outside the financial year and posted into the system within the financial year would be assigned payment ID's by the system within the range of the financial year payment ids.</i></p> <p>b) <i>Under non-conventional payment ID's Capturing of payments into the system utilizes a number of modules based on the different payment channels including: 1.Mpesa that is online</i></p>	Stephen Psiwa- Head of Financial Services	30/4/2020

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	correctness of the trade and receivables could not be confirmed.	<p><i>real-time.</i></p> <p><i>2.Airtel</i></p> <p><i>3.Bank Interface</i></p> <p><i>4.Manual capture</i></p> <p><i>Investigations on the issue noted on non-conventional payment ids has revealed to have been caused by manual receipting of Mpesa payments. The manual capture module loads payment ids sequences that is different form the anticipated conventional way. The payment ids posted by the system as generated by this module are correct. The issue has been raised with the system vendor for synchronization of payment id generation by this module with other payment module. This will be corrected for transactions going forward once the fix is received and applied. Sample file shows how this manual capture by username 24999630 on 2018-10-01 14:56:26.000 distorted the payment ids and restored back later at 2018-10-02 15:36:48.370 when Mpesa module re-established a new session having been down from 2018-10-02 11:02:16.380(Note</i></p>		

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
		<i>Payment id sequence is loaded into Machine memory upon system user login on any payment module for purposes of processing payment based on any of the above payment channels)</i>		
3.0	<p>Biological Assets The statement of financial position reflects biological assets of Kshs.31,608,072 as at 30 June 2019. As reported previously, expenditure of Kshs.4,771,488 was incurred in the year ended 30 June 2018 on development of these biological assets at the 350-acre Eldoret Sanitation land at Kipkenyo. However, the reconciliation of changes in the carrying amounts between the beginning and the end of the year as disclosed in note 11 to the financial statements indicate that there was no value either at cost of fair value at the beginning of the year. Further, the gain arising from physical changes of Kshs.31, 708,072 has been recognized directly in statement of changes in equity instead of through</p>	<p><i>The mature of the trees varies as per the report. The company has for the last ten years been planting trees through shamba system. The expenditure of Kshs. 4,771,488 does not related with development of the biological assets but general conservation of environment including the catchment areas of Kaptagat and Marakwet Area In accordance with IAS 41, the biological assets value stands at Kshs 31,708,071.57 since it was the first year of valuation.</i></p>	Stephen Psiwa-Head of Financial Services	30/4/2020

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	profit or loss as required by IAS 41.26. Consequence, the accuracy and completeness of biological assets of Kshs.31,708,072 as at 30 June 2019 could not be established.			
4.0	Other advances The statement of financial position as at 30 June 2019 reflects trade and of Kshs.707,590,453 which includes other advances of Kshs.5,304,840.25 as disclose in note 13 to the financial statements out of which an amount of Kshs.946,680 was paid to M/s Prochem Industries Ltd for undisclosed supplies. Available information revealed that the company ceased to exist and therefore the recoverability of the amount is remote. Further, the amount reduced by Kshs.525,320 from Kshs.1,472,000 as at 30 June 2018 to Kshs.946,680 as at 30 June 2019. No explanation was provided for the movement.	<p>a)The company entered into a contract with Prochem Industries Ltd in September 2010 for the supply and delivery of filter media (sand) and consequently issued LPO No. 105655.</p> <p>b)In order to execute the contract, Prochem Industries requested ELDOWAS to pay an advance payment of Kshs 1,472,000 against a bank guarantee of equivalent amount. The company paid the advance payment as agreed against a bank guarantee which expired on 8th February, 2011.</p> <p>c)Prochem only supplied filter media worth Kshs 525,320 that was certified and accepted by the company.</p> <p>d)The supply of the balance worth Kshs 946,680 was of poor quality and did not conform to the required standard hence rejection. The company on 26th</p>	Stephen Psiwa- Head of Financial Services	30/4/2020

Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
		<p><i>August, 2014 wrote to Prochem demanding for refund of Kshs 946,680 to avoid legal consequences.</i></p> <p><i>e)Gicheru & Advocates wrote a legal opinion to the company advising for a write-off of the amount based on the limitation of Actions act and that a claim cannot be sustained against a company that is no longer in existence.</i></p> <p><i>f)The Board of Directors in its 108th meeting approved the writeoff of Kshs 946,680</i></p>		
5.0	<p>VAT Refunds</p> <p>The statement of financial position reflects trade and other receivables of Kshs.707,590,453 which include VAT refunds of Kshs.93,338,335 as disclosed in note 14 to the financial statements. However, the amount is at variance with VAT audit certificates of Kshs.94,574,590 resulting to unexplained difference of Kshs.1,236,254.68. In addition, although management explained that it has put efforts to recover the amounts, an amount of Kshs. 83,305,560 has been outstanding for</p>	<p><i>The VAT refunds claims amounting to Kshs 94,574,590 has been audited as per the attached summary schedule and further filed with KRA on the dates indicated in the schedule. The amount of Kshs.1,236,254.68 was disallowed by KRA and over the periods adjusted in the general ledger leading to a balance of Kshs.93,338,335</i></p>		

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	over a year and no allowance was made for uncollectable amounts. As a result, VAT refunds may not be recovered and therefore the accuracy and correctness VAT refunds could not be confirmed.			
6.0	Trade receivables The statement of financial position as at 30 June 2019 reflect trade and other receivables of Kshs.707,590,453 which include trade receivables of Kshs.586,059,467 and cleansing of Kshs.68,420,989 as disclosed in note 14 to the financial statements. However, a review of customer accounts as at 30 June 2019 indicated that 96,503 customers had outstanding amounts of Kshs.653, 709,827 as analyzed below resulting to unexplained or unreconciled of difference of Kshs.770,629 Further, 49,361 customer accounts with balances of Kshs.410,654,824 and which account for more than half of the trade receivables were either disconnected, inactive or terminated. No evidence was provided by management to show	<i>a)The company has reconciled Kshs.770,629 as disclosed in the revised financial statements noted 14. b)The management continues to actively follow up past due and impaired receivables. During 106th Minutes of the Board held on 8th March, 2019 and 107th minutes of the Board held on 11th June, 2019, the Board had approved writing off of bad debts based on outstanding standing charges, accounts terminated with balances and customers' accounts with uncollectable debts. c)The company also had a discussion with the CEC Finance and Economic Planning on 23/9/2019 whose agenda was to consider writing off, the long outstanding debts held by ELDOWAS following the due process in line with the PFM</i>	Stephen Psiwa- Head of Financial Services	30/4/2020

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	whether the accounts exists and efforts to ensure that the amounts are recovered. As a result, trade receivables may be overstated Kshs.410,654,824 as recoverability of these amounts is in doubt.	<i>Act, 2012 d)ELDOWAS presented their request for write off as below. The discussion has not been concluded</i>		
7.0	Provision for Bad and doubtful debts The statement of financial position as at 30 June 2019 reflect trade and other receivables of Kshs.707,590,453 which include trade receivables of Kshs.598,713,081 as disclosed in note 14 to the financial statements. However, a review of customer accounts indicated that balances amounting to Kshs.410,654,824 were receivable from disconnected, inactive or terminated consumers and no evidence was provided by management to show that the amounts exists and are recoverable. As a consequence, the provision for bad and doubtful debts of Kshs.50, 000,000 as at 30 June 2019 may not be adequate.	<i>Before considering any debt for a write-off, management has to exhaust all efforts to recover the debts. From the records held the company had confirmed that Kshs 93,935,913.66 was due for a write-off after confirmation and verification by the debt collectors, internal auditors In line with ELDOWAS debt management policy clause 6.0, annual provision for bad debts shall be equivalent to the proportion of debts aged above three (3) years or 10% of the outstanding debts whichever is higher.</i>	Stephen Psiwa-Head of Financial Services	30/4/2020
8.0	Cash and cash equivalents The statement of financial position as at 30 June 2019	<i>The reported figure of Kshs. 300,000,000 fixed deposit pertaining to</i>	Stephen Psiwa-Head of	30/4/2020

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	<p>reflects bank and cash balances of Kshs.377, 394,101 which includes a fixed deposit of Kshs.300, 000,000 as explained under note 15 to the financial statements. However, the fixed deposit receipt in respect of the Kshs.300,000,000 has not been availed for audit review. It was not possible to confirm the interest rate, maturity and other terms and conditions of the invested funds. Consequently, the validity, existence, accuracy, rights and obligations on the bank and cash balances of Kshs.377, 394,101 as at 30 June 2019 could not be confirmed.</p>	<p><i>Account number 1124608729 at Kenya Commercial Bank Ltd has been supported by a bank confirmation certificate Ref MM/19142/TT4HV of money market as per attached bank copies showing term fixed deposit, customer, deposit type, deposit date, interest rate, principal amount interest amount and maturity date . The board of directors approved the fixing of the amounts as shown by the board minutes of 107th Meeting of Directors of Eldoret Water and Sanitation Company Ltd Held on Friday 11th June 2019. We have also attached a cover letter from Kenya Commercial Bank</i></p>	Financial Services	
B) OTHER MATTERS				
1.0	<p>Non-Revenue Water Included in income from billing of Kshs.659,562,139 reflected in the statement of profit or loss and other comprehensive income is sales of water figure of Kshs.446,443,797. However, a review of records made available indicate that the company produced</p>	<p><i>The company started 2018/19 financial year with NRW at 49.6% and strategies that had been put in place brought NRW to 27.5% in April 2019 as depicted by below 2018-19 NRW trend. The spike was caused by additional volumes into the existing dilapidated infrastructure.</i></p>	Stephen Psiwa- Head of Financial Services	30/4/2020

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	<p>14,397,085 cubic metres of water out of which only 8,228,575 cubic metres of water was billed to consumers at Kshs.446,025,779. The balance of 6,168,510 cubic metres of water representing 43% of the total volume of water produced was not billed. This represents non-revenue water which is 18% over and above the Water Services Regulatory Board (WASREB) guidelines allowable loss of 25%. Although management explained that it has put in place strategies to reduce levels of non-revenue water, the level increased from 42% in the financial year ended 30 June 2018 to 43% in the current year an indication that the measures bore no fruits. Under the circumstances, the Company may have lost revenue amounting to approximately Kshs.334,360,989.</p>			
2.0	<p>Project verification 1. <i>Biological Assets (trees) at boundary sewerage & treatment plant – Kipkenyo</i> 2. <i>Chlorine dosing system, dosing pump and chlorine</i></p>	<p><i>There are various trees at various levels of maturity costing Kshs. 31,525,996</i> <i>Installed and operational with total costing of</i></p>	Stephen Psiwa-Head of	30/4/2020

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	<p><i>dosing room</i></p> <p>3. <i>Installation and commissioning of electric fence</i></p> <p>4. <i>Kipkaren sewerage</i></p> <p>5. <i>Cherunya Land</i></p> <p>6. <i>Motor vehicle GUN125R-DNFXHN 2GD 2393 2393 diesel KCP 802K</i></p> <p>7. <i>Protection works waste treatment plant using Gabions along river Sosiani</i></p>	<p><i>Kshs. 4,335,569</i></p> <p><i>The compound at the headquarter has all been protected by the electric fence. The cost was Kshs. 1,794,880</i></p> <p><i>The project is labelled as evidenced in the attached photos (1 & 2). Labelling was done on the first and last manholes.</i></p> <p><i>The company acquired that Land at Cherunya with full knowledge that the transfer of title was pending conclusion of the ongoing succession process. The Land location was the most ideal place in terms of the levels for the construction of the elevated tank. Currently the matter is in court awaiting finalization of succession process</i></p> <p><i>Delivered and in use</i></p> <p><i>Gabions have been done well in some sections. However, hardcore has not been protected with wire mesh in other sections which could subject the section to more erosion and possible</i></p>	<p><i>Financial Services</i></p>	

Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	<p>8. Supply & delivery of a stainless-steel sliding gate as per the specs</p>	<p><i>unprecedented discharge of effluent to the river.</i> <i>-The sections not protected with wire mesh were not part of the initial contract.</i> <i>- The observation made during the visit was outside the scope of the contract</i></p> <p><i>The Sliding gates were to be installed in a new flow diversion chamber which was to be constructed through a works contractor. The user section raised a requisition for the works in June 2019 but the specs provided were inadequate hence had to be redone.</i> <i>-Due to heavy rains witnessed between July and October 2019, the work could not commence then hence the process had to be put on hold since site visit was mandatory.</i> <i>-All the wastewater was diverted to Quarry Plant in January 2020 to allow installation of a new step screen at Boundary Plant hence work could not commence.</i> <i>-Construction of the flow diversion chamber where the sliding gates are to be</i></p>		

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
	<p>9. Supply, installation and commissioning of VOIP Telephone</p> <p>10. Supply installation and commissioning of Auto manual step screen at boundary sewerage & treatment plant – Kipkenyo</p> <p>Tipper (Dump Truck), 6x4, 14-15 Tonnes KCP 569K</p> <p>Wareng sewer line</p> <p>Water Bowser KCP 258K</p>	<p>installed is ongoing at Quarry T. Plant. Work expected to be completed in April 2020</p> <p>Installed and operational</p> <p>Installed and operational</p> <p>Delivered and in use</p> <p>Complete and in use. Project not labelled. The project was labeled by use of a project board as evidenced in Photo No 3.</p> <p>Delivered and in use</p>		
3.0	<p>Legal costs</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June 2019 reflect administrative and operating expenses of Kshs.542,416,369 which includes legal costs of Kshs.3,691,053 as explained under note 7 to the financial statements. The legal costs of Kshs.3,691,053 further includes a payment of</p>	<p>a) On several occasions, the company communicated with AMACO in the rulings and subsequent consequences of not honoring the court ruling.</p> <p>b) In the absence of no response from AMACO, the company was obligated to demand the regulator's (Insurance Regulatory Authority) intervention</p> <p>c) The appointed</p>	Stephen Psiwa-Head of Financial Services	30/4/2020

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	<p>Kshs.1,341,844.00 made to M/s Nabasenge and Company Advocates for onward transmission to claimants on legal case no. ELD/CMC/912'/2015 (Joseph Tororei Vs ELDOWAS).</p> <p>In the ELDORET CMCC NO.912A of 2015, a vehicle belonging to ELDOWAS and insured by AMACO, was involved in a road accident as a result of which all the occupants died. The dependants of the deceased filed suit for compensation and judgement entered into in favour of the plaintiff with an award of Kshs.12,333,888.00. Following the judgement, AMACO undertook to pay Kshs.3,000,000.00 while ELDOWAS was to pay Kshs.9,401,888. AMACO paid only Kshs.1,900,000</p> <p>Further, examination of records made available has shown that in addition to the Kshs.1,341,844.00, ELDOWAS lost Kshs.3,947,204, as summarized below, due to failure by AMACO to honour its obligations as per court order.</p> <p>Consequently, although the company has formally</p>	<p><i>auctioneers impounded the company's based on the ruling. The company got in touch with AMACO who never took any action to avert the crisis.</i></p> <p><i>d)In order to salvage the situation, the company took action by paying the auctioneers fees, storage charges and the outstanding amount due to the victims.</i></p> <p><i>e)The company will continue to use all necessary and reasonable steps to recover the amount due from AMACO Insurance Company</i></p>		

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	complained to Insurance Regulatory Authority on this matter, the said amounts have been lost.			
C) REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF RESOURCES				
1.0	<p>Bonus Allowance The statement of profit or loss and other comprehensive income for the year ended 30 June 2019 reflect administrative and operating expenses of Kshs.542,416,369 which includes staff costs of Kshs.218,912,223 as disclosed in note 7 to the financial statements. Out of this amount, Kshs.5,995,228 was paid to staff as bonuses. However, there was no policy and procedures by management to guide in the payment of bonuses during the year as it was approved by the board after the year end. Consequently, the propriety of the bonus allowance of Kshs.5,995,228 could not be confirmed.</p>	<p>a)The company paid staff bonuses in 2018 for the positive performance posted in the previous year. The same was approved through 105th board meeting minutes dated 21st December 2018. A draft reward policy was in place at the time of payment. b)The Board of Directors approved the reward policy during its 108th meetings dated 23rd August 2019.</p>	Stephen Psiwa-Head of Financial Services	30/4/2020
2.0	<p>Expired tariff A review of the tariff for the company indicated that it expired on 30 June 2018. No reason was provided for the delay in obtaining approval for a new tariff from Water Services</p>	<p>a)The company applied for a new tariff in 2018 before the expiry of the existing one. b)On 3rd May 2018, WASREB reference no. WASREB/TARIFF/003 wrote back that Regular</p>	Stephen Psiwa-Head of Financial Services	30/4/2020

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	<p>Regulatory Board and Lake Victoria North Water Services Board (LVNWSB). As a result, sales from billing income of Kshs.659,562,139 was irregularly billed on customers.</p>	<p><i>Tariff Review (RTA) has been reviewed and proposed areas that the company needed to take action. The company responded back on 21st May 2018 ref EWASC/MD/3/WU/WA SREB/VOL.XII.</i></p> <p><i>c)A meeting was held at WASREB building on the proposed tariff review on July 31, 2018 where clarifications were sought and responded to.</i></p> <p><i>d)Due to governance gaps at WASREB, the process did not proceed till 18th April 2019. The company had to redo the annexes to accommodate a whole year delay. WASREB and ELDOWAS held a tariff negotiation meeting on 23rd May 2019. Arising from that meeting, the company submitted the revised application, proposed investments projects and assets replacements. WASREB conducted an inspection to ELDOWAS on 5th July 2019.</i></p> <p><i>e)The company did a public consultation meeting on the RTA on 21st November 2019 after getting direction from WASREB and the public</i></p>		

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Reference No. of the draft report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Focal Point person to resolve the issue	Timeframe
		<p>approved it.</p> <p>f)WASREB issued tariff adjustment notice on 27th January 2020</p> <p>g)Gazette notice number 2015 dated 13th March 2020 was issued for circulation WASREB gazetted the approved tariff which is due for implementation after one (1) month. Kenya Gazette Notice Vol.CXXII-No.49 Nairobi, 13th March 2020</p>		
3.0	<p>Long term Loan – CGUG</p> <p>The statement of financial position as at 30 June 2019 reflects under non-current assets, Kshs.1,812,124,713 for County Government of Uasin Gishu.</p> <p>As reported in the previous year, note 15 to the financial statements reflects a figure of Kshs.1,834,621,077 which relates to a long-term loan given by Kreditianstalt Fuer Wiederaufbau (KFW) to the Republic of Kenya to finance the Eldoret Water Supply Phase II project inherited from the defunct Eldoret Municipal Council which is not being serviced and continues to attract interest and penalties. Further the interest accruing from the loan</p>	<p>a)The company made a request to National treasury to reschedule and Restructure principal loan amounting to Kshs 1,058,673,824 and accrued interest amounting Kshs 921,438,328.10 on 15th December 2016. The same request was taken to the Cabinet and subsequently was approved as follows;</p> <p>(i)Write off a portion of the Principal amount to Kshs 686,177,459 outstanding as at 30th June 2010</p> <p>(ii)Waive accrued interest amounting to Kshs 921,438,328.10</p> <p>(iii)Reschedule/ Restructure the remaining portion of the outstanding Principal of</p>	Stephen Psiwa-Head of Financial Services	30/4/2020

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	<p>during the year under review has not been disclosed in the financial statements. Under the circumstances, the management is in breach of the loan agreement. A review of the loan in 2019 reveal that the company made payments of shs.22,496,364 towards settlement of the loan in accordance with a rescheduling and restructuring arrangement. However, the restructuring and rescheduling agreement has not been duly signed. Consequently, the validity of the restructuring and rescheduling of the long outstanding loan could not be confirmed.</p>	<p>Kshs 372,496,364.39 to be paid over a period of 30 years with a grace period of 3 years (iv) Adjustment of a loan interest downwards from 6.5% p.a to 2.5% p.a b)Based on the approval by Cabinet, National Treasury invited ELDOWAS for a negotiation meeting. The meeting was held on 31st January 2019 at the Treasury Building and the following was agreed; (i)Write off a portion of the Principal amount to Kshs 686,177,459 outstanding as at 30th June 2010 (ii)Waive accrued interest amounting to Kshs 921,438,328.10 and interest does not accrue until a repayment schedule is done (iii)ELDOWAS to pay upfront payment of Kshs 22,496,364.39 to be paid before execution of the restructured Loan Agreement. (iv)Reschedule/ Restructure the remaining portion of the outstanding Principal of Kshs 350,000,000 to be paid over a period of 15 years with no grace period repayable twice</p>		

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		<p>yearly on 15th March and 15th September each year until fully paid.</p> <p>(v) Adjustment of a loan interest downwards from 6.5% p.a to 2.5% p.a</p> <p>(vi) The restructured loan facility to become effective on the signing of the restructured loan agreement.</p> <p>c) As part of the implementation after negotiation meeting and after approval by the Cabinet Secretary, National Treasury and receipt of the repayment Schedule, the Company paid Kshs 22,496,364.39 as upfront payment on 24th May 2019 and acknowledged by National Treasury on 12th June, 2019</p> <p>d) Signing of the final Loan Restructuring and Rescheduling Agreement between the Government of the Republic of Kenya and Eldoret Water and Sanitation Company Limited is ongoing. The current status is as follows:</p> <p>On behalf of Uasin Gishu County Government, the Governor, County Government of Uasin Gishu, ELDOWAS Managing Director and</p>		

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		<i>County Attorney County Government of Uasin Gishu have already signed. The signed Loan Restructuring and Rescheduling Agreement on behalf of ELDOWAS was forwarded to the Ministry of Water and Sanitation for signing and who shall finally forward to be signed by Cabinet Secretary, the National Treasury.</i>		
4.0	Capital fund The statement of financial position as at 30 June 2019 reflects under capital fund, Kshs.50,602,838 described as fund from county government of Uasin Gishu and other institution which has been explained under note 20 to the financial statements. Management has explained that the company stopped the lease payments pursuant to a resolution at an Annual General Meeting. However, there is no signed addendum to the existing lease agreement to affect this stoppage. Consequently, the validity of this stoppage could not be confirmed.	<i>County Government of Uasin Gishu and other partners team up with Eldowas to improve water and sewer infrastructure. Because of the expertise in the company the funds are allocated per ward for this purpose.</i>	Stephen Psiwa- Head of Financial Services	30/4/2020
5.0	Trade and other payables In 2017/2018, it was	<i>The shareholders has recommended that the</i>	Stephen Psiwa-	30/4/2020

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	<p>reported that, the statement of financial position as at 30 June 2018 reflected Trade and other payables balance of Kshs.371,141,322 which included Kshs.186,087,504 due to Uasin Gishu County Government on account of lease charges for assets pursuant to an addendum to the lease agreement signed between ELDOWAS and the Municipal Council of Eldoret on 27 May 2002 and the amount had been outstanding since 30 June 2015. WASREB prescribed the annual lease charges at Kshs.42,770,000 per annum for the financial years 2015/2016, 2016/2017 and 2017/2018.</p> <p>Records made available showed that the company, in an extra ordinary general meeting held on 22 January 2016, resolved to stop further payment of lease charges to the County Government of Uasin Gishu and consequently, the company was in breach of the lease agreement.</p> <p>A review of the position in 2018/2019 showed accrued balance payable of Kshs.246,209,658 as at 30 June 2019 out of which</p>	<p><i>company stop further payments of lease fee to County Government of Uasin Gishu and draw an addendum to the lease agreement to be signed between the county government and the company</i></p>	<p>Head of Financial Services</p>	

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	Kshs.186,087,504 was owed to UGCG while the balance of Kshs.60, 122,154 was owed to WASREB. In failing to pay the accrued levies and charges/ fees, the company continues to be in breach of the WASREB regulations as well as the lease agreement signed with the CGUG.			
6.0	<p>Budget process</p> <p>The statement of comparison of budget and actual amounts for the year ended 30 June 2019 reflect a revenue budget of Kshs.1,018,332,437 and operating expenses of Kshs.814,999,614.</p> <p>However, there is no evidence that the budget was submitted to the CEC responsible for the entity for approval and onward transmission to the CEC Finance and that it was eventually submitted to the County assembly for final approval.</p>	<p>a)Board of Directors discussed and approved 2018/19 budget as shown by Minutes 103th and 107th of Board meeting.</p> <p>b)After approval, the 2018/19 budget was forwarded to the CEC Environment, Energy, Water and Natural resources for consolidation at the line Ministry and onward transmission to the CEC Finance and Economic Planning</p>	Stephen Psiwa-Head of Financial Services	30/4/2020
7.0	<p>Acting Allowances</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June 2019 reflect administrative and operating expenses of Kshs.542,416,369 which includes staff costs of Kshs.218,912,223 as</p>	<p>a)The company undertook Human Resource Audit and a report was issued and received by the company. One of the key milestone of the report is the proposed establishment of 391</p> <p>b)Acting position were</p>	Stephen Psiwa-Head of Financial Services	30/4/2020

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	disclosed in note 7 to the financial statements. Out of this amount, Kshs.827,793.25 was paid to staff as acting allowance. However, a review of payroll records indicated that 7 staff were paid acting allowance of Kshs.546,620.25 for more than six months contrary to section C.14 (1) of Human Resource Policies and Procedures Manual for the Public Service issued in May 2016 which prohibits payment of acting allowance to an officer for more than six (6) months. Although management explained that they are awaiting results of a human resource audit to advice on the proper staffing levels, the management is in breach of the human resource manual	<i>being renewed after every 6 months as the company awaited for the completion and implementation of the HR report</i>		
8.0	Ethnic Composition of staff A review of payroll records during the year under review indicated that the company recruited forty-three (43) new staff during the year composed of one board member(s)/ senior management and forty-two (42) other staff.	<i>Recruitment of staff in the company is done through a competitive process in which qualified employee with required skills are taken on board.</i>	Stephen Psiwa- Head of Financial Services	30/4/2020

Signed 

Dr. Paul Murgor
Managing Director

Date 2/3/21

Signed 

Mr. Andrew Chelogoi
Chairman (Board of Directors)

Date 2/3/2021