

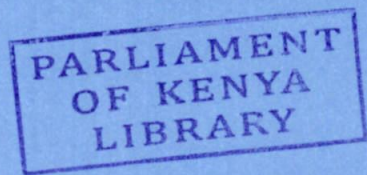
REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**KAKAMEGA COUNTY WATER AND  
SANITATION COMPANY LIMITED**

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

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Deputy Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Mzalim

30 DEC 2023



*"Maji Safi, Maisha Bora"*  
*"Quality Water, Healthier Lives"*

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**KAKAMEGA COUNTY WATER AND SANITATION COMPANY  
LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

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

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## **1. Acronyms and Glossary of Terms**

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
KACWASCO	Kakamega County Water and Sanitation Company
WASREB	Water Services Regulatory Board
MD	Managing Director
CPA	Certified Public Accountant
CISA	Certified Information Systems Auditor
NRW	Non-Revenue Water
SIBO	Siaya-Bondo
WSTF	Water Sector Trust Fund
MMUST	Masinde Muliro University of Science and Technology
ERP	Enterprise Resource Planning
PGD	Post Graduate Diploma
UBSUP	Up-scaling Basic Sanitation for the Urban - Poor Project.
DTF	Decentralized Treatment Facility
LVNWWDA	Lake Lake Victoria North Water Works Development Agency
KenHA	Kenya National Highways Authority
CLSG	Conditional Liquidity Support Grant

## **2. Key Entity Information**

### **Background information**

Kakamega County Water and Sanitation Company Limited (KACWASCO) was incorporated under the Kakamega County Water and Sanitation Services Act 2021. Kakamega County took over the operations from Lake Victoria North Water Works Development Agency (LVNWWDA) on July 1, 2016, following a separation of the joint operations for water supply between Busia and Kakamega counties. This was brought about by the promulgation of the constitution 2010.

### **Principal Activities**

The services provided by the company are as follows;

- a. Provision of water and sanitation services within Kakamega urban areas.
- b. Operations and maintenance of water and sanitation facilities
- c. Planning, design and development of water and sanitation infrastructure
- d. Managing commercial operations (meter reading, billing, revenue collection, handling customer relations, efficient utilization of revenues)
- e. Extending water distribution and sewer network, or sanitation services to increase coverage
- f. Sourcing, treatment, storage, transmission and distribution of water
- g. Collection, treatment and safe disposal of wastewater to regulatory standards
- h. Conservation of water catchment areas
- i. Water and waste water lab analysis services

**Our Vision:** To be an effective and efficient Water and Sanitation service provider

**Our Mission statement:** Sustainably provide quality, affordable reliable water and sanitation services to our stakeholders in accordance with the statutory regulations.

**Our values:** The mission and vision of the company shall be accomplished and realized by embracing the following core values; Integrity, professionalism and commitment, accountability and transparency, customer focus, equity and teamwork

## **Directors**

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

- |                                   |                      |  |
|-----------------------------------|----------------------|--|
| 1. Mr. Boaz Bulimu                | - Chairman           | - Appointed on 7 <sup>th</sup> February 2023   |
| 2. Eng. George Jacob Oroni Odedeh | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 3. Mr. Raphael Milikau Otaalo     | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 4. Mrs. Mary Musula Kundu         | - Director           | - Appointed on 21 <sup>st</sup> April 2021     |
| 5. Mrs. Jane Chebet Mitei         | - Director           | - Appointed on 1 <sup>st</sup> January 2023    |
| 6. Mr. Enock Andanje Musambai     | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 7. Mr. Patrick Chungani           | - Director           | - Appointed on 3 <sup>rd</sup> May 2023        |
| 8. Mrs. Mariam Claris Nyongesa    | - Executive Director | - Appointed on 19 <sup>th</sup> September 2023 |
| 9. Dr. Jeophita June Mwajuma      | - Executive Director | - Appointed on 1 <sup>st</sup> January 2023    |

## **Company Secretary**

Christabel Ashiono

P.O. Box 1189 – 50100 Kakamega

## **Registered Office**

Kefinco Complex

Kakamega-Kisumu Road

P.O Box 1189 – 50100

Kakamega.

## **Corporate Contacts**

Telephone: Tel: 056-2030355

Email: Kacwasco@gmail.com

Website: www.Kakamega water.go.ke

## **Corporate Bankers**

Kenya Commercial Bank

Kakamega Branch

P.O. Box 152 - 50100

Kakamega

Co-operative Bank

Kakamega Branch

P.O Box 595 – 50100

Kakamega

Family Bank

Kakamega Branch

P.O. Box 1815 - 50100

Kakamega

National Bank of Kenya

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

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Kakamega Branch  
P.O. Box 1773  
Kakamega

Safaricom M-Pesa Account

**Independent Auditor**




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




**Principal Legal Advisers**




The Attorney General  
State Law Office, Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

The County Attorney  
County Government of Kakamega  
P.O. Box 36-50100  
Kakamega, Kenya




3. The Board of Directors



Ref	Directors	Details
1.	 <p><b>Mr. Boaz Odemu Bulimu</b> Chairman of the Board</p>	<p>Bachelor of Education B.Ed. Sc (Kenyatta University)</p> <ul style="list-style-type: none"> <li>-Over 7 years management experience</li> <li>-Teacher</li> <li>-Researcher</li> </ul> <p>Age-63years</p>
2.	 <p><b>Eng. George Jacob Orony Odedeh</b></p>	<p>MBA-Strategic Management (The University of Nairobi), Bachelor of Science in Civil Engineering (The University of Nairobi)</p> <ul style="list-style-type: none"> <li>-Strategic leadership development program</li> <li>-Executive Masters in Business Administration</li> <li>-Water Management in ASALs and EIA</li> </ul> <p>Professional Engineer No.A2560 -Corporate member No.M3799</p> <p>Over 7 years management experience Age-55years</p> <p>Chairman Technical and Environment Committee</p> <p><b>Independent Director</b></p>
3.	 <p><b>Mr. Raphael Milikau Otaalo</b></p>	<p>Bachelor of Management and leadership- Human Resource Management (Management University of Africa), Diploma in Horticulture</p> <ul style="list-style-type: none"> <li>-Leadership and Management</li> <li>-Finance and Resource Management</li> </ul> <p>- Over 7 years management experience Age- 67years</p> <p>Chairman,-Finance, Human Resource and Administration Committee-</p> <p><b>Independent Director</b></p>

<p>4.</p>	 <p><b>Mrs. Mary Musula Kundu, OGW</b></p>	<p>Master's in Business Administration (University of Nairobi) CPA II (Kenya Institute of Management) -Corporate Governance(Women on Boards network) -International Project Management and Resource mobilization -Management of Audit Committees' -Strategic leadership program -Public Finance Management policy</p> <p>Over 7 years management experience</p> <p>Age- 67years</p> <p>Chairman, Audit and Risk Assurance Committee</p> <p><b>Independent Director</b></p>
<p>5.</p>	 <p><b>Mrs. Jane Chebet Mitei</b></p>	<p>-Masters In Curriculum And Instruction, Bachelor's Degree In Early Childhood And Primary Education And Religion.(Kampala International University)</p> <p>Peace and conflict management HIV/AIDs Counselling and guidance Over 5 years management experience</p> <p>Age-52 years</p> <p><b>Independent Director</b></p>
<p>6.</p>	 <p><b>Mr. Enock Andanje Musambai</b></p>	<p>Master's in Education-M.E.D (Egerton University) Bachelors in Education (Moi University)</p> <p>Leadership and Management Teacher Over 5 years management experience</p> <p>Age-56years</p> <p><b>Independent Director</b></p>

7	 <p><b>Mr. Patrick Chungani</b></p>	<p>Master's Degree in Project Planning and Management Bachelors of Education English &amp; Business Studies</p> <p>Leadership and management Teacher</p> <p>Age-56 years</p> <p><b>Independent Director</b></p>
8.	 <p><b>Mrs. Mariam Claris Nyongesa</b></p>	<p>Masters in Crop Protection (Masinde Muliro University of Science and Technology) Bachelor of Education Science (MMUST)</p> <p>Leadership and management Teacher Over 5 years management experience</p> <p>Age- 38 years</p> <p><b>Executive Director</b></p>
9.	 <p><b>Dr. Jeophita June Mwajuma</b></p>	<p>Doctor of Philosophy in Environmental Microbiology Master of Science in Microbiology Post graduate Diploma in Education Bachelor of Science (Botany /Zoology)</p> <p>Over 7 years Management experience Age- 52 years</p> <p><b>Executive Director</b></p>

4. Key Management Team

Ref	Management	Details
1.	 <p data-bbox="296 797 624 831"><b>Eng. Michael Omondi Ogot</b></p>	<p data-bbox="823 365 1074 398"><b>Managing Director</b></p> <p data-bbox="823 416 1358 450">BSc. Water and Environmental Engineering</p>
2.	 <p data-bbox="296 1361 549 1395"><b>CPA Eric Wabuyabo</b></p>	<p data-bbox="823 887 1254 920"><b>Commercial &amp; Finance Manager</b></p> <p data-bbox="823 936 1374 1070">M.A (Economics) University of Nairobi,                      Certified Public Accountant of Kenya, CISA,                      Member of ICPAK</p>
3.	 <p data-bbox="296 1912 576 1946"><b>Eng. Celsus Shilehwa</b></p>	<p data-bbox="823 1476 1078 1509"><b>Technical Manager</b></p> <p data-bbox="823 1527 1286 1561">MSC. (Water Resources Engineering)</p> <p data-bbox="823 1579 1270 1668">Master of Arts (Project Planning and                      Management),</p> <p data-bbox="823 1686 1382 1720">BSc. (Water and Environmental Engineering)</p>

4.	 <b>Ms. Anne Linda Ongadi</b>	<b>HR &amp; Administration Manager</b> MSC HRM, Bachelor's Degree in Business Management (HRM Option) Diploma in Business Administration
5.	 <b>Ms. Christabell Ashiono (Adv.)</b>	<b>Principal Legal Officer &amp; Board Secretary</b> MBA – Strategic Management, PGD in Law Bachelors in Laws

**5. Chairman’s Statement**

**Economic Outlook**

I am greatly honoured to present the statement for the financial year ending 30<sup>th</sup> June 2024 as the Chairman of Kakamega County Water & Sanitation Company. Despite the micro-economic uncertainty and reduced donor support, the business remained resilient during the year. Of concern was the creeping inflation that has significantly increased our average production costs, increase in taxes due to the introduction of the housing levy, general increase in prices of our key operating supplies that in turn lead to high cost of sales, operating and maintenance costs. The other key concern is the high non-revenue water percentage despite the relentless efforts and strategies put in place to reduce it to sector standards. I’m however happy to report that despite these challenges we are confident that we are better placed to manage the shifting economic landscape.

**Corporate Governance**

Having a solid governance framework is key to rebuilding trust and transparency. With the help of our partners, we have been privileged to conduct several trainings for all members charged with governance responsibility. There has been a renewed focus on corporate governance and the Board has spent a significant proportion of its time examining and strengthening structures and processes throughout the organization. I confirm that the Board now has the right balance of skills, experience and background to support and oversight Management team. The Board has also approved various policies to provide a legal framework for internal processes and controls.



### **Performance Contracting**

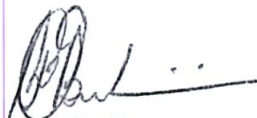
The Board chair signed the Performance Contract with the County Executive Committee Member for Water, Environment and Natural Resources. The targets set include expanding water and sanitation connections by 5000. We report that the company realized over 1200 new connections and activated over 3000 previously disconnected accounts during the financial period under audit.

### **Profit before tax**

In the year under review, the Board enforced the implementation of a turn-around strategy to guide the Company's return to sustainable profitability and growth. The strategy is premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management, and reducing system losses. The net loss reduced from 6 million to 1 million in the period under audit.

### **Appreciations**

I wish to acknowledge and appreciate the immense and unequivocal goodwill and leadership that has been demonstrated by His Excellency the Governor as we undertake these important and transcendental reforms. I would also like to appreciate the support offered by the able and committed Board members, our shareholders, customers, partners and staff. We are committed to building on the recent achievements to continuously improve our operations and products, ensure efficiency, financial stability and viability, and offer world class services to our esteemed customers.



**Boaz Bulimu**  
**Chairman, Board of Directors**

## **6. Report Of the Managing Director**

Allow me to open my statement with our motto “Amatsi..Khumuliango!” (Translated water at the door step). I am pleased to share with you the business performance highlights for the year ended 30<sup>th</sup> June 2024 and give insights to key areas of our operations that underlies the reported financial performance.

### **Partnerships**

The Main partners for KACWASCO include but not limited to County Government of Kakamega, County Assembly of Kakamega, The Senate, Water Consumers, The Public/Voters, WASREB, Water Sector Trust Fund (WSTF), USAID, Lake Victoria North Water Development Agency (LVNWD), KEWASNET, Women in Water and Conservation, Nature for Conservancy, GWOPA, WASPA, Water Integrity Network and local Banks. This has led to financial support and goodwill from the County government, WSTF for water infrastructure development. During the year, the company was ranked Position 1 as the Most Improved Water Service Provider in Kenya.

### **Strategic Plan**

Failing to plan is planning to fail. The company management has spearheaded the review of its 2021-2026 strategic plan with a goal to align it to the Kakamega County Integrated Development Plan. The same plan is aligned to the performance contracts signed between the MD and the entire staffing fraternity with the goal of improving transparency, operational efficiency and accountability.

### **Technological Progress**

Management continues to enhance operation efficiency in all departments by implementing a robust Enterprise Resource Planning system (ERP). Customer complaints and bill issuance is entirely electronic. These platforms have enhanced seamless interaction with our customers and ensures timely complaint resolution.

### **Tariff Review and implementation**

The company was issued an approved tariff in January 2022 which was indexed in the 2023/2024 to cover economic inflationary pressures. As a result the company reported improved its revenues on the application of the tariff.

### **Creditors Management**

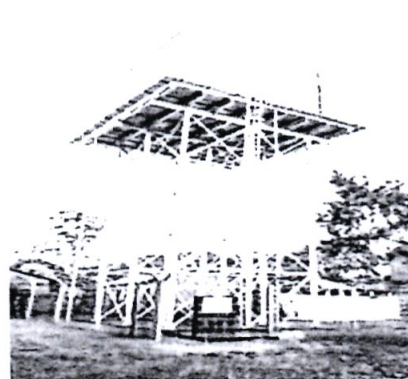
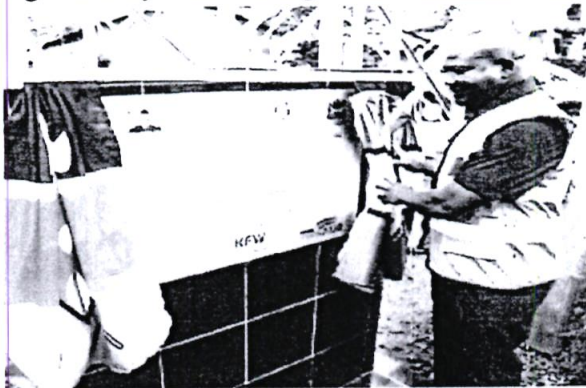
The management has come up with a payment plan for all long outstanding creditors and the current ones. This is aimed to restore suppliers' confidence in the Company and reduced creditors. The outstanding trade payables as at 30<sup>th</sup> June 2024 is Kshs. 262.9 Million compared to 275.8 Million the previous year hence a drop by Ksh.13 million.

### **Debtors Management**

The company has experienced a rise in accumulating debtor balances which amounted to Kshs. 247.3 Million down from 272.5 Million in the previous period. To address this challenge, management has adjusted genuine billing anomalies, consistently disconnected consumers with debt older than three months and or entered part payment agreements and issued demand letters to institution

### **Key Successes**

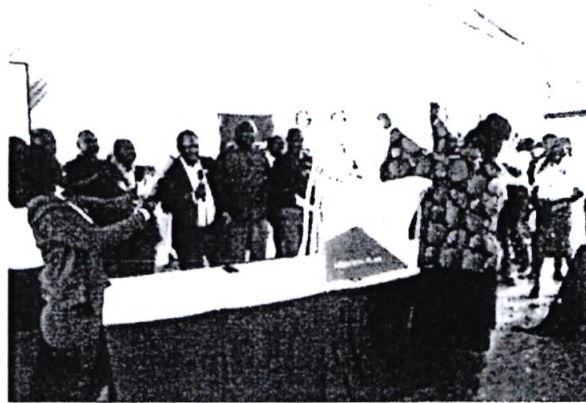
**Expanding Water Access in Malava:** In collaboration with the Kakamega County Government and Water Sector Trust Fund (WSTF), H.E. Governor Fernandes Barasa launched the Malava UPC project. This initiative involved constructing a 250 cubic meter water tank and expanding last-mile connections, significantly increasing the number of Malava residents with access to clean water.



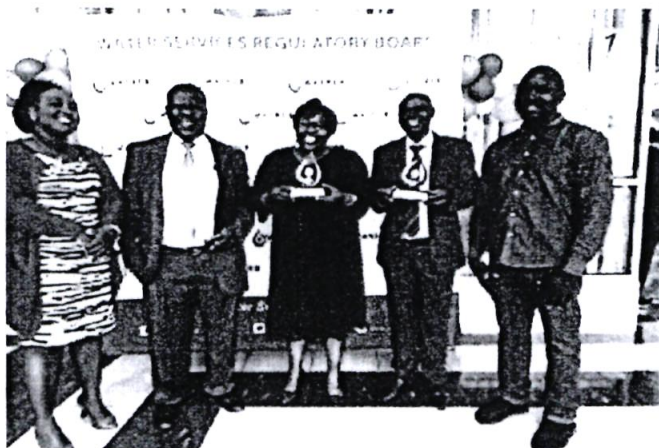
**Strengthening Governance for Improved Service:** The County Government of Kakamega has ensured the Company has a fully functional board of directors, with diverse representation by gender, ethnicity, and local communities, ensures transparent and accountable decision-making. The board has also received training from the Ministry of Water, USAID Western Kenya Sanitation Project, and USAID Western Kenya Water Project to enhance their governance capacity.



**Strategic Planning for Long-Term Success:** The KACWASCO board has approved and launched a strategic plan (2023-2026) and various policies to guide the company's operations for the coming years. This plan sets a clear vision for the future and ensures efficient service delivery.



**Building Trust and Recognition:** KACWASCO's commitment to excellence has been recognized by WASREB, the water regulator. The company secured a five-year license, demonstrating the regulator's confidence in KACWASCO's service provision. Additionally, KACWASCO has been awarded the titles of "Best Improved Utility" and "Best Utility in Lake Victoria North Region," placing it among the top water service providers in Kenya.



**Investing in Sanitation:** KACWASCO, partnering with the county government and WSTF, signed MoU to construct 200 SafiSan Toilets and a Decentralized Treatment Facility (DTF) in Shitoli. This project will significantly improve sanitation services in the area, promoting public health and environmental well-being.

### **Key Challenges**

Despite the fact that Kakamega County Water and Sanitation Company is endowed with abundant water resources with potential for serving the entire population of the area of operation, water service coverage still stands at 82%.

The challenges include;

**Production bottlenecks : Inadequate** water production due to aged / abandoned water treatment plants, inadequate/ dilapidated water storage reservoirs, frequent breakdowns and frequent power outages leading to break down / shut off of electromechanical systems hence water rationing. (b) High water pumping electricity bills. (c) High levels of NRW due to estimate both production volumes and consumer consumptions and, (d) Underutilization of Nambacha water treatment plant due to low investment in last mile connectivity.

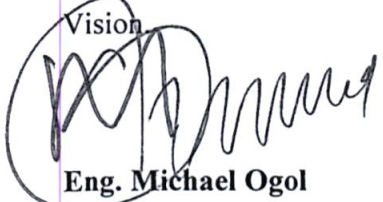
**Staffing:** The Company has 167 number of staff. The recommended industry requirement is 5 per 1000 connections. KACWASCO has 18,000 active water connections and hence is expected to have an optimal staff number of 90. Staff costs stand at 53% of company revenues against required ratio of 30% or less. This situation has constrained the company in engaging in expansion programs since the bulk of its revenue are consumed on staff costs. The company has also reported numerous labour related cases from former employees where courts have passed awards in favour of the staff, recent of which is 1.8m was awarded to Eng. Abdikadir Abdi the former immediate Managing Director and the order to reinstate 38 staff who had been seconded to Kakamega Rural Water.

## **Conclusion**

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

I also appreciate our trade customers and suppliers for the unwavering support to the business. Let's continue working as a team to ensure that KACWASCO achieves its goals as envisaged in our Mission and

Vision



**Eng. Michael Ogot**  
**Managing Director**

**7. Statement Of Performance Against Predetermined Objectives for FY 2023/2024**

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity’s performance against predetermined objectives.

Kakamega County Water and Sanitation Company Limited has 6 strategic pillars and objectives within the current Strategic Plan for the FY 2023/2024. These strategic pillars are as follows:

Pillar 1: Non- Revenue water Management

Pillar 2: Operational efficiency, customer service and pro poor

Pillar 3: Financial stewardship and sustainability

Pillar 4: Institutional strengthening and capacity building

Pillar 5: Water and sanitation infrastructure

Pillar 6: Monitoring and evaluation

Kakamega County Water and Sanitation Company Limited develops its annual work plans based on the above 6 pillars. Assessment of the Board’s performance against its annual work plan is done on a yearly basis. The Kakamega County Water and Sanitation Company Limited achieved its performance targets set for the FY 2023/2024 period for its 6 strategic pillars, as indicated in the diagram below:

Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
Establish a NRW management policy	Reduced NRW	Develop and implement NRW management policy and strategy	Approved NRW management policy and strategy	Done
Quick detection of leaks and bursts	Reduced physical NRW	To update all company pipe networks in the GIS system	100% of pipe network mapped in the GIS system	80 % mapped
		Purchase and install leak detectors and pressure loggers	Purchased Detectors and pressure loggers	Purchased leak detectors, pressure loggers pending purchase

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Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
		Prompt repair of identified leaks and bursts	Time taken to repair reported leaks and bursts	Reported quarterly
		Develop TOR for line patrol and Conduct daily Line patrol	No. of patrols and monthly reports submitted	Monthly reporting
Enhance meter accuracy	Reduced commercial NRW	Purchase Meter Test bench	Meter test bench purchased.	Pending assembling
		Conduct monthly ad hoc meter checks and routine patrols along the NRW hotspots	No. of Ad hoc meter checks and patrol reports	Monthly reporting
		Perform meter testing and calibration.	100% of meters tested and calibrated	Quarterly report
		Service faulty and stuck water meters	No. of serviced old meters	Quarterly report
		Locate and raise meters	No. of meters located and raised	Quarterly report
		Replace 50% of the zonal meters and bulk to manage the District Metering Areas (DMAs)	50% of zonal meters replaced	DMAs mapped out. Meters to be procured
		Install production and master meters to monitor NRW levels	Production and master meters fully installed	Pending purchase
Ensure 100% Metering	Reduce Commercial NRW	Install Meters for all new customers	No. of new meters installed	Monthly installation of 500 meters
Strengthen capacity of NRW unit	Reduced commercial NRW	Identify training needs and conduct training of meter readers/ artisans on NRM management	No. of trainings conducted	Done for the FY 2023/24

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Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
Strengthen capacity of NRW unit	Reduced commercial NRW	Identify training needs and conduct training of meter readers/ artisans on NRM management	No. of trainings conducted	Done for the FY 2023/24
		Conduct inductions for new artisans recruited	No. of inductions conducted	Done for the FY 2023/24
Reduce illegal connections	Reduced commercial losses	Track illegal connections and apprehend offenders	No. of illegal connections regularized	Quarterly reports
		Sensitize customers on responsibility to report illegal connections	Number of sensitization forums or activities conducted	Quarterly reports
			Number of illegal connections reported by customers	Quarterly reports
	Reduced illegal connection	Random inspection of disconnected/ inactive accounts	Inspection reports on disconnected accounts	Quarterly reports
Develop an accurate customer database	System clean up	Develop and install NRW MIS	NRW MIS developed and installed	In progress
		Clean up and update customer database	Customer database updated	20% Done

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Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
Reduce interruption of water and sanitation services	Continuous provision of water and sanitation services	Prompt response to disruption of water and sanitation services	Number of timely responses to disruptions	Quarterly reports
		Setup a call Centre to receive and respond to customer queries	Call Centre established	Set up in progress
Ensure constant maintenance and replacement of faulty System.	Reduced disruption in service delivery	Develop and implement a net- work maintenance schedule	Maintenance schedule in place	Schedule developed, implementation in progress
	Continuous supplies/ availability of materials	Pay suppliers promptly	No. of promptly supplied materials	Quarterly reports
Automation of all business operations	Improved efficiency in all business operations	Purchase an Enterprise Resource Planning (ERP) system	ERP system in place	ERP system purchased
		Operationalization of ERP modules/ components	100% operationalization of the ERP- Finance & Accounting module, procurement, NRW, production	In progress
		Purchase all required ICT equipment for ERP operationalization	All required ICT equipment acquired	In progress
		Integrate all business operations into the ERP system	All business operations integrated	Done

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Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
		Conduct training on ERP for all relevant staff	All relevant staff trained	Done
		Develop ICT policy, governance standards and Master plan	ICT Policy 2022 developed and Procedures Standardized	In progress
		Setup Internet Connectivity to all schemes	All schemes' stations fully connected with Internet	In progress
		Train all staff on ICT operations	Trainings reports	Done FY 2023/24
Grow and retain customers.	Increased revenue	Increase number of customers connected from 25,000 to 45,000 in 2026	No. of new customers connected	So far 1,688 new customers have been connected since July 2021
		Conduct scheme and area-based marketing campaigns	Quarterly marketing campaign reports	Marketing and communication plan in place.
		Target and connect new Large consumers	No. of new large consumers connected	Quarterly report
		Develop and operationalize a customer retention plan	Customer retention plan operationalized	Customer retention plan developed
		Conduct monthly marketing campaigns	Market campaign reports-under- take schemes targeted out-reach activities	Marketing and communication plan document in place.
Improve meter reading accuracy	Increased revenue	Organize meter reading areas into equal zones	Meter reading zones established	In progress
		Map all meters onto the GIS	Number of meters mapped onto GIS	100% done

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Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
Enhance customer satisfaction levels	Satisfied customers	Revise customer service charter	Customer service charter revised	Done
		Operationalize revised customer service charter	Customer service charter operationalized	Done
		Respond promptly to customer issues as per service charter	No. of customer queries re- solved as per service charter	Quarterly report
		Conduct regular customer satisfaction survey	Customer satisfaction survey reports	In progress
		Train staff on customer care	No. of Trainings conducted	Done for FY 2023/24
Provide reliable, affordable and sustainable access to safe drinking water to people living within the urban low-in- come areas	Enhance water service provision within LIAs	Construction of 6 water kiosks	No of new constructed water kiosks	MOU with WKWP and activities co created
		Annual Rehabilitation and replacement of old, dilapidated distribution lines	No of old and dilapidated distribution lines rehabilitated or replaced	Quarterly reporting on the lines rehabilitated
		Annual Extension of 1km water distribution networks	No of new water distribution lines laid	Quarterly reporting
		Connection of 200 new customers	No. of new customers connected	Quarterly reporting

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

Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
-Provide reliable, affordable and sustainable access to basic sanitation to people living within the urban low-income areas by 2 %annually	Enhance sanitation service provision within LIAs	Partner with other organizations which provide alternative sanitation solutions	No of partnerships with other organizations which provide alternative sanitation solution	Quarterly reporting
		Construction of 1no. decentralized treatment facility	New decentralized treatment facility constructed	Resource mobilization in progress
		Extension of 1km sewer line networks	Number of new sewer Connections	Quarterly reporting
		Construction of 200 onsite sanitation facilities within LIAs	No. of onsite sanitation facilities constructed within LIAs areas	Resource mobilization in progress

		Conduct a survey to establish the sanitation needs and impact to the low-income areas	Survey report  Demand creation awareness campaign reports	MOU with WKSP executed  Implementation of co-created activities to be undertaken
To reduce NRW in low-income settlements.	Reduced NRW	Mitigating water theft through installation of 200 household connections	No of household connection done.	Quarterly reporting
		Elimination of illegal water connection	No of illegal water connections regularized	Quarterly reporting
		Replacement and servicing of faulty meters 100%	No of faulty meters serviced	Quarterly reporting
		Rehabilitation of dilapidated water supply network	No, of dilapidated water pipeline rehabilitated	Quarterly reporting

**Kakamega County Water and Sanitation Company Limited**  
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Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
		Streamlining of water kiosks vendors through 100% signing of contracts	No. of signed water kiosk contracts with the vendors	Quarterly reporting
To become customer centric by focusing on pro-poor service delivery	Improve quality of life in the LIAs	Promoting stakeholder engagement ,marketing, community outreach and participation in pro-poor services	Reports on activities/engagements	Quarterly reporting
		Develop a social connection policy to ensure afford- ability to the LIAs	Approved social connection policy	Policy approved by the BOD
		Develop a Pro-poor strategic plan in line with the WSTF guide-lines	Approved pro-poor strategic plan	Strategy approved by the BOD
		Review and implement the pro-poor policy to be in line with the company's strategic plan	Approved reviewed pro-poor policy	Pro poor policy reviewed
		Prompt, complete and proactive resolution of complaints from LIA customers	No of complaints resolved Reports on 24 hours resolve of complaints	quarterly reporting
Ensure 100%- meter reading	Increased revenue	Use mobile technology to read and transmit meter readings	100% adoption of mobile technology/ meter reading	In progress

**akamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Strategies	Expected outcomes	Activities	Output indicator	Current implementation status
Review water and sewerage tariff structure	Increased revenue	Evaluate effectiveness of existing tariff structure	Indexed tariff	Indexed Tariff gazetted to be implemented effective January 2024
		Conduct stakeholders' participation in tariff review	Stakeholders' participation report	Public participation conducted and tariff approved, gazetted by WASREB
		Process approvals for the proposed tariff structure	Relevant approvals	Tariff approved and gazetted by WASREB
		Implement new tariff structure.	New tariff fully applied	Tariff fully implemented
Diversify revenue sources.	Increased revenue streams	Identify alternative revenue sources.	Additional revenue sources identified and documented.  Additional revenues generated from these other sources.	In progress

## **8. Corporate Governance Statement**

Corporate governance is the process and structure by which Companies are directed, controlled and held accountable in order to achieve long term value to stakeholders

For effective governance the Board recognizes that even though it has delegated the daily running of the business to the management team, the Board is ultimately and fully responsible for the way the Company is managed. The Board is therefore actively engaged in leading the Company and is confident that there is an effective system of Corporate Governance in place.

The Board of Directors of Kakamega County Water Sanitation Company (hereinafter KACWASCO) is responsible for the governance of the Company and is accountable to the shareholders and stakeholders in ensuring that the Company complies with the laws and the highest standards of business ethics and corporate governance. Accordingly, the Board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

### **Board of Directors**

The roles and functions of the Chairman and the Chief Executive Officer are distinct and their respective responsibilities clearly defined. The Board comprises of nine (9) Directors seven (7) of whom are non-executive directors including the Chairman. Alternate Directors from the parent ministry and County Treasury also sit in the Board. The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Directors bring a wealth of experience and knowledge in various fields of expertise.

Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to Management through the Chief Executive Officer. The Board nonetheless is responsible for the stewardship of the Company and assumes responsibilities for effective control over the Company.

The Company's Principal Legal Officer who is also the Board's Secretary attends all meetings of the Board and advises the Board on all corporate governance matters as well as prevailing statutory requirements. The Principal Legal Officer offers secretarial services at all Board meetings/functions.

### **Board Meetings**

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

During the year, the Board held fewer meetings than mandated due to Covid-19 related challenges.

### **Committees of the Board**

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

#### **(i) Audit and Risk Committee**

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

#### **(ii) Finance Committee**

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

#### **(iii) Technical Committee**

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

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

**9. Management Discussion and Analysis**

**Budget Absorption for FY 2023/2024**

<b>Description</b>	<b>Budgets 2023/2024</b>	<b>Actual 2023/2024</b>
Sales	427,823,031	357,905,633

**Actual Operating Cost for FY 2023/2024**

<b>Description</b>	<b>2023/2024 (Kshs)</b>	<b>2022/2023 (Kshs)</b>
Operating Costs	363,346,313	350,822,859

The increase in operating cost went up because of the increased inflation rates and the company didn't receive grant from the county government to boost its operation

**Net Profit / (Loss) for FY 2022/2023**

<b>Description</b>	<b>2023/2024 ( Kshs)</b>	<b>2022/2023 ( Kshs)</b>
Net Profit/(Loss)	(5,400,381)	(6,354,903)

The loss in the FY 2023/2024 is Kshs (1,036,843) majorly attributed to increase in operating cost of the company. This is also as a result of new Mwongozo guideline which stipulates that some capital expenditures like purchase of computer, Motor Vehicle, Furniture and Office Equipment, water meters be put under operation and maintenance, thus being treated as revenue expenses

**Sales**

<b>Description</b>	<b>2023/2024 (Kshs)</b>	<b>2022/2023 (Kshs)</b>
Sales	357,905,633	336,493,614

The increase in sales during the year was contributed to by favourable change of tariff which saw the company increase its billing.

**Cost of Sales**

<b>Description</b>	<b>2023/2024 (Kshs)</b>	<b>2022/2023 (Kshs)</b>
Cost of Sales	32,883,086	31,566,833

Stock level at the start of the year was low to run the operations especially in the first quarter. In the previous financial year the company received a donation of chemicals

## **10. Environmental and Sustainability Reporting**

Kakamega County Water Sanitation Company recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. We remain firmly committed to courses that positively impact our society and influence sustainability of our business.

During the year, management supported a number of environmental conservation activities including but not limited to;

- i. Tree planting in all our service coverage areas
  - ii. Protection of River Yala banks- Source of water supplied to Kakamega (Project Cost Kshs.10, 159,998)
  - iii. Rehabilitation of Savona Water Treatment Works with Solar Panels (Phase 1 Cost Estimated Kshs. 15 Million)
  - iv. Replaced asbestos roofing with iron sheets at Savona Treatment Plant.
  - v. Installed power correcting capacitors in all its electrical installations
  - vi. Raised water sewer manholes and covers to address flooding problems
  - vii. Facilitated legislation on climate action by the County Assembly of Kakamega.
  - viii. Rehabilitation of Nabongo Sewer network to address frequent sewer spillage
  - ix. Paid Environmental levies to NEMA
  - x. In an effort to embrace a paperless work environment, the company has automated its procurement, billing and customer complaint processes through an ERP system.
  - xi. Replacing asbestos cement water pipelines with HDPE pipes that are climate friendly.
- The company has set aside a budget to undertake the following environmental conservation initiatives:
- a) Solarize all its boreholes with the help of Davis & Shirtliff
  - b) Establish tree nurseries at all its water sources. Mature seedlings shall be donated to our customers during meter reading activities
  - c) Rehabilitate the hydro turbines in Tindinyo to help save on power costs.
  - d) Relocation of Savona Treatment Intake upstream to utilize gravity flow instead of power pumping

The above therefore demonstrates a firm commitment by the company to contribute towards climate resilience

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

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**11. Report Of the Directors**

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

**i) Principal activities**

The principal activities of the Company are;

- a. Provision of water and sanitation services within Kakamega urban areas.
- b. Operations and maintenance of water and sanitation facilities
- c. Planning, design and development of water and sanitation infrastructure
- d. Managing commercial operations (meter reading, billing, revenue collection, handling customer relations, efficient utilization of revenues)
- e. Extending water distribution and sewer network, or sanitation services to increase coverage
- f. Sourcing, treatment, storage, transmission and distribution of water
- g. Collection, treatment and safe disposal of wastewater to regulatory standards
- h. Conservation of water catchment areas
- i. Water and waste water lab analysis services

**ii) Results**

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

<b>Results</b>	<b>2023/2024</b> <b><u>Kshs</u></b>	<b>2022/2023</b> <b><u>Kshs</u></b>
<b>Net profit/ (Loss) for the year</b>	<b>(5,400,381)</b>	<b>(6,354,903)</b>

**iii) Dividends**

The company has not declared dividends for the year ended 2024 because it has not made any profits and the Directors have not proposed any.

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

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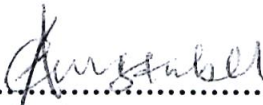
**iv) Directors**

The members of the Board of Directors who served during the year are shown. In accordance with the company's Articles of Association.

**v) Auditors**

The Office of Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

  
.....  
**Ms Christabel Ashiono**

**Secretary to the Board**

**Date:**.....<sup>30<sup>th</sup></sup> DEC 20 24

## **12. Statement Of Directors' Responsibilities**

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

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

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

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

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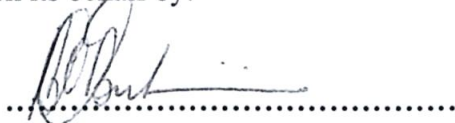
**Statement Of Directors' Responsibilities (Continued)**

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

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

**Approval of the financial statements**

The company financial statements were approved by the Board on 30<sup>TH</sup> DECEMBER 2024 and signed on its behalf by:



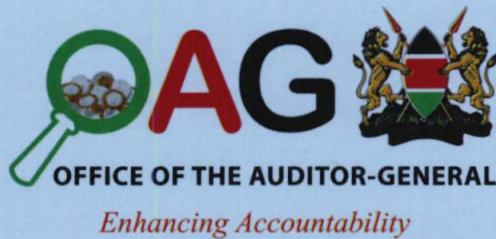
**Mr. Boaz Bulimu**  
**Chairperson of the Board**



**Eng. Michael Ogot**  
**Managing Director**

# REPUBLIC OF KENYA

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

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kakamega County Water and Sanitation Company Limited set out on pages 1 to 49, which comprise the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other

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

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Water and Sanitation Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Trade and Other Receivables**

##### **1.1 Misstatement of Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.247,315,566 as disclosed in Note 18 to the financial statements. However, the detailed aging analysis to ascertain the age of the debts and a report on their recoverability was not provided for audit review. In addition, the general ledger shows an trade receivables balance of Kshs.328,592,352 which differs from Kshs.330,203,606 in Note 18(a) to the financial statements resulting to an unexplained variance of Kshs.1,611,254.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.247,315,566 could not be confirmed.

##### **1.2 Unsupported Bad Debts Written-Off**

The statement of financial position reflects trade and other receivables balance of Kshs.247,315,566 as disclosed in Note 18 to the financial statements. The receivables balance was reduced by a bad debts written-off amount of Kshs.55,408,532. However, the supporting documents of approval of the debts write-off by the Company's Board of Directors and the County Executive Committee of the write-offs were not provided for audit review.

In the circumstances, the accuracy and completeness of trade and receivables balance of Kshs.247,315,566 could not be confirmed.

#### **2. Misstatement of Trade and Other Payables**

The statement of financial position reflect trade and other payables balance of Kshs.263,273,426 as disclosed in Note 24 to the financial statements. However, the general ledgers and subsidiary ledgers for the payables reflects a balance of Kshs.278,713,402 resulting to an unexplained variance of Kshs.15,439,976.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.263,273,426 could not be confirmed.

### **3. Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a net operating loss of Kshs.5,400,381 and Kshs.6,354,903 for the current and previous financial year 2022/2023. In addition, the statement of changes in equity reflects a negative retained earnings amount of Kshs.325,683,286. This reflects a severe financial challenge facing the Company which raises significant doubt on its ability to operate as a going concern.

In the circumstances, the company's continued existence as a going concern is dependent on the financial support from its creditors and the Government. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Water and Sanitation Company Limited Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of Matter**

##### **Key Audit Matters**

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

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.690,492,367 and Kshs.363,832,165 respectively, resulting into an under-funding of Kshs.326,660,203 or 47% of the budget.

Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.369,492,367 and Kshs.369,232,545 respectively, resulting in an under expenditure of Kshs.259,822. However, the budget statement reflects an incorrect variance of Kshs.11,628,609 of the budgeted amount.

In the circumstances, the under-funding of the planned activities may impact negatively on the service delivery of the Company.

#### **Other Matter**

##### **Unresolved Prior Year Matters**

In the report for the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public

Resources. However, management has not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

### **Other Information**

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

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Allowable Loss of Non-Revenue Water**

During the year under review, records from the company revealed that it produced 4,737,376 cubic meters (M<sup>3</sup>) of water out of which 2,993,553 cubic meters (M<sup>3</sup>) or approximately 63% was distributed and billed to customers. However, the balance of 1,743,823 cubic meters (M<sup>3</sup>) or approximately 37% of the total volume produced was not billed. This is contrary to the Water Services Regulatory Board (WASREB) guidelines which provides an allowable maximum loss of 25% for every cubic meter (M<sup>3</sup>) or 435,956M<sup>3</sup>.

In the circumstances, the ineffective management of water negatively impacted on the company's profitability and resulted in unallowable loss of non-revenue water of 1,307,867 M<sup>3</sup>.

## **2. Irregular Expenditure on Members of County Assembly (MCAs)**

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.128,818,795 as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.4,085,000 in respect of stakeholders' awareness and AGM expenditure. Included in the expenditure is Kshs.1,279,000 for paying allowances to Members of the County Assembly, County Government of Kakamega during County Assembly meetings in Kakamega. The meetings and payment of allowances were sanctioned by the County Executive and County Assembly. This is contrary to Regulation 42(1) (b) of the Public Finance (County Governments) Regulations, 2015 which requires that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for which they were intended and appropriated by the County Assembly.

In the circumstances, Management was in breach of law.

## **3. Excess Wage Bill**

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.180,074,012 as disclosed in Note 10 to the financial statements. The amount is equivalent to 49% of the total revenue of the water company of Kshs.363,832,165 against the required ratio of 30%. Additionally, the current staff numbers are one hundred and sixty-seven (167) staff which differs from the recommended industry requirement for the water company of ninety (90) staff resulting in excess staffing of seventy-seven (77) personnel. This is contrary to Table 3.2 of WASREB Impact Performance Report No.16/2024 of Kenya Water Sector in 2022/2023 financial year which classifies Kakamega County Water and Sanitation Company as a very large water service provider and provides that the acceptable sector bench mark for staff productivity to be 5 per 1000 active connections.

In the circumstances, Management was in breach of the law

## **4. Non-compliance with the Law on Ethnic Diversity**

During the year under review, the audit revealed that one hundred and thirty three(133) staff or 80% of the total staff population of one hundred and sixty seven(167) are from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

## **5. Long Outstanding Trade and Other Payables**

The statement of financial position reflects reflects trade and other payables of Kshs.671,951,897 as disclosed in Note 24 to the financial statements. Included in the balance is long-term payables balance of Kshs.408,678,432, which have been outstanding for more than three years. The long outstanding payables comprises of Kreditanstalt für Wiederaufbau(KFW) of Kshs.38,387,465, World Bank-Mumias of Kshs.275,541,203, World Bank-Lumakanda of Kshs.63,013,172, and Motor Vehicles of Kshs.7,067,367..

In the circumstances, there is risk of loss of public funds through litigations, interests and penalties.

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

## **6. Lack of an Updated Asset Register**

The statement of financial position reflects property plant and equipment balance of Kshs.210,706,464 as disclosed in Note 16 to the financial statements. However, the assets register maintained by the company did not include tag numbers, year of purchase, serial numbers and condition of the assets. In addition, physical verification carried out revealed that several assets were not tagged/coded. This is contrary to Regulation 143. (1) of the Public Finance Management (County Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

## **7. Failure to Conduct Governance Audit**

During the year under review, review of the Board activities revealed that the Board of directors did not sanction for a governance audit to be carried and no supporting documents were not provided. This is contrary Chapter 1 paragraph 1.13 (1) and (2) of the Mwongozo Code of Governance for state corporations of 2015 which provides that The Board in consultations with the oversight office, should ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Inadequate Information and Technology(IT) Internal Controls

During the year under review, review of the water company records revealed that it did not have an ICT steering and strategic committee, CT security policy, IT strategic plan and ICT operational plans. In addition, formal risk assessment was not carried out and no supporting documents were provided. This is contrary to Chapter 3.3 of Mwongozo code of governance 2015 the board has the responsibility of ensuring that the organization has adequate systems and processes of accountability, risk management and internal control in place. In addition, Section 3.6 the board is responsible for the formulation and establishment of an ICT policy which should be integrated into the operations of the organization.

In the circumstances, the adequacy of Information and technology internal controls could be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Conclusion

As required by 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. In my opinion:
- i. Information given in the directors' report on pages xxx to xxxi is consistent with the financial statements; and
- ii. The auditable part of the directors' remuneration report on page 24 has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **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 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 going concern basis of accounting unless the Management is aware of the intention to liquidate the Company or to cease its operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

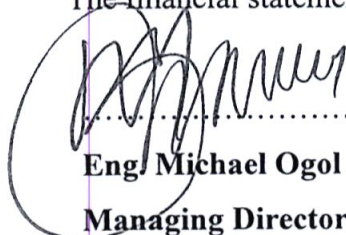
**31 December, 2024**

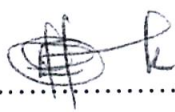
**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

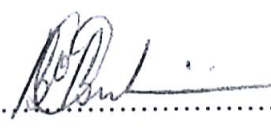
**14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.**

	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	357,905,633	318,638,109
Grants Income	7	1,795,500	39,541,175
Other Income	8	588,770	15,106,192
Finance income	9	3,542,262	2,749,314
<b>Total Revenue</b>		<b>363,832,165</b>	<b>376,034,789</b>
<b>Expenses</b>			
Staff Costs	10	180,074,012	158,561,295
General and Operations expenses	11	128,818,795	151,398,245
Board Expenses	12	6,996,228	6,177,550
Maintenance Expenses	13	17,390,667	37,156,560
Depreciation and Amortization expenses	14	11,368,787	4,433,209
Finance Costs	15	24,584,055	24,662,833
<b>Total Expenses</b>		<b>369,232,545</b>	<b>382,389,692</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(5,400,381)</b>	<b>(6,354,903)</b>
<b>Profit/(Loss) After Taxation</b>		<b>(5,400,381)</b>	<b>(6,354,903)</b>

The financial statements were approved on <sup>30<sup>TH</sup></sup> ~~DECEMBER~~ 2024 by:

  
 Eng. Michael Ogol  
 Managing Director

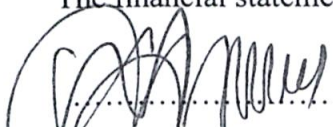
  
 CPA Eric Wabuyabo  
 Head of Finance  
 ICPAK M/No.6360


  
 Mr. Boaz Bulimu  
 Chairman of the Board

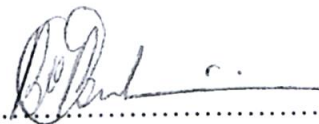
**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**  
**Statement Of Financial Position As at 30 June 2024**

	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	16	210,706,464	164,305,482
<b>Total Non-Current Assets</b>		<b>210,706,464</b>	<b>164,305,482</b>
<b>Current Assets</b>			
Inventory	17	18,370,009	25,773,962
Trade and Receivable	18	247,315,566	272,568,396
Bank and Cash Balances	19	83,635,918	138,504,454
Prepayments-Medical cover	20	1,340,615	2,648,291
<b>Total Non-Current assets</b>		<b>350,662,108</b>	<b>439,495,103</b>
<b>Total Assets</b>		<b>561,368,572</b>	<b>603,800,585</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary Share Capital	21	100,000	100,000
Capital Development Fund	22	215,000,000	215,000,000
Retained Earnings	23	(325,683,286)	(320,282,905)
<b>Total Capital and Reserves</b>		<b>(110,583,286)</b>	<b>(105,182,905)</b>
<b>Non-Current Liabilities</b>			
Long Term Payables	24	408,678,432	414,672,293
<b>Total Non-Current Liabilities</b>		<b>408,678,432</b>	<b>414,672,293</b>
<b>Current Liabilities</b>			
Trade Payables and Other Payables	24	263,273,426	294,602,077
<b>Total Current Liabilities</b>		<b>263,273,426</b>	<b>294,602,077</b>
<b>Total Equity and Liabilities</b>		<b>561,368,572</b>	<b>603,800,585</b>

The financial statements were approved on... 30/12/2024 by:

  
 Eng. Michael Ogol  
 Managing Director

  
 CPA Eric Wabuyabo  
 Head of Finance  
 ICPAK M/No.6360

  
 Mr. Boaz Bulimu  
 Chairman of the Board

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

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>As at July 1, 2023</b>		100,000	0	0	(461,970,645)	0	215,000,000	<b>(98,828,002)</b>
Capitalized Inventory W/O		0	0	0	148,042,643	0	0	<b>0</b>
For the year		0	0	0	(6,354,903)	0	0	<b>(6,354,903)</b>
<b>As at June 30, 2023</b>		<b>100,000</b>	<b>0</b>	<b>0</b>	<b>(320,282,905)</b>	<b>0</b>	<b>215,000,000</b>	<b>(105,182,905)</b>
<b>As at July 1, 2024</b>		100,000	0	0	(320,282,905)	0	215,000,000	<b>(105,182,905)</b>
profit for the year		0	0	0	(5,400,381)	0	0	<b>(5,400,381)</b>
<b>As at June 30, 2023</b>		<b>100,000</b>	<b>0</b>	<b>0</b>	<b>(325,683,286)</b>	<b>0</b>	<b>215,000,000</b>	<b>(110,583,286)</b>

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

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

	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Cash Flows From Operating Activities</b>			
<b>Receipts</b>			
Operating Revenue		357,905,633	318,638,109
Grants Income		1,795,500	39,541,175
Other Income		588,770	2,749,314
Finance Income		3,542,262	15,106,192
Customer Deposits		2,955,599	3,242,000
<b>Total Receipts</b>		<b>366,787,764</b>	<b>379,276,790</b>
<b>Payments</b>			
Staff Costs		180,805,155	158,561,295
Board Expenses		6,996,228	6,177,550
General And Operation Expenses		128,818,795	151,398,245
Maintenance		17,390,667	37,156,560
Finance Costs		24,584,055	24,662,833
Refund Of Customer Deposits		330,565	0
Trade Creditors		56,396,015	0
<b>Total Payments</b>		<b>414,590,338</b>	<b>377,956,483</b>
<b>Net Cash From/(Used In) Operating Activities</b>		<b>(47,802,579)</b>	<b>1,320,307</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(64,531,440)	(85,753,289)
Investment to Fixed Account		65,000,000	100,000,000
<b>Net Cash From/(Used In) Investing Activities</b>		<b>(468,560)</b>	<b>14,246,711</b>
<b>Cash Flows from Financing Activities</b>			
Repayment Of Borrowings		(7,534,520)	(17,076,499)
<b>Net Cash From/(Used In) Financing Activities</b>		<b>(7,534,520)</b>	<b>(17,076,499)</b>
<b>Increase/(Decrease) In Cash &amp; Cash Equivalents</b>		<b>(54,868,535)</b>	<b>(2,829,788)</b>
<b>Cash And Cash Equivalents At Start of the year</b>		<b>138,504,454</b>	<b>2,829,788</b>
<b>Cash &amp; Cash Equivalents At End Of The Period</b>		<b>83,635,918</b>	<b>138,504,454</b>

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Operating Revenue	474,032,310	(46,209,279)	427,823,031	357,905,633	69,917,398	84
Non-Operating Revenue						
Grants	324,000,000	(66,000,000)	258,000,000	1,795,500	256,700,000	1
Finance Income	3,864,000	(3,000,000)	864,000	3,542,262	(2,678,262)	410
Other Income	6,136,000	(2,330,664)	3,805,336	588,770	(3,216,566)	15
<b>Total Revenue</b>	<b>808,032,310</b>	<b>(117,539,943)</b>	<b>690,492,367</b>	<b>363,832,165</b>	<b>(326,660,203)</b>	<b>53</b>
<b>Expenses</b>						
Staff Costs	205,024,180	(9,351,813)	195,672,367	180,805,155	15,598,355	92
Board Expenses	6,420,000	1,100,000	7,520,000	6,996,228	523,772	93
General and operations Expenses	185,043,130	(70,388,130)	114,655,000	124,794,525	(10,139,525))	109
Maintenance	41,245,000	0	41,245,000	17,390,667	23,854,333	42
Finance costs	5,400,000	0	21,400,000	24,584,055	(19,184,055)	115
Pro-Poor	10,000,000	(5,000,000)	5,000,000	4,024,270	975,730	80
Depreciation	0	0	0	11,368,787	0	
<b>Total Recurrent Expenditure</b>	<b>453,132,310</b>	<b>-83,639,943</b>	<b>369,492,367</b>	<b>369,232,545</b>	<b>11,628,609</b>	<b>100</b>
<b>Profit or Loss</b>	<b>353,900,000</b>	<b>(33,900,000)</b>	<b>321,000,000</b>	<b>(5,400,381)</b>	<b>(338,288,812)</b>	

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

**19. Notes to the Financial Statements**

**1. General Information**

Kakamega County Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Kakamega County Government and is domiciled in Kenya. The Company's principal activity is provision of water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

**2. Statement of Compliance and Basis of Preparation**

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

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

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

**Kakamega County Water and Sanitation Company Limited**  
**Annual Report and Financial Statements for the year ended June 30, 2024**  
**Notes to the financial statements (continued)**

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

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

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

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

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

**Notes to the financial statements (continued)**

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

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

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

*ii. Early adoption of standards*

Kakamega County Water and Sanitation Company Limited did not early – adopt any new or Amended standards in year under review.

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

**Notes to the financial statements (continued)**

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

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

**Notes to the financial statements (continued)  
Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

<b>Item</b>	<b>Rates</b>
Buildings and civil works	2%
Freehold land	0%
Infrastructure works	5%
Water meters	6.25%
Plant and machinery	12.5%
Motor vehicles, including motorcycles	25%
Computers and related equipment	33.33%
Office equipment, furniture and fittings	12.5%

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

**Notes to the financial statements (continued)**

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

**e) Intangible assets**

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

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

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

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

**g) Investment property**

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

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**h) Right of Use Asset**

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

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

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

**n) Taxation**

**i) Current income tax**

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

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**Notes to the financial statements (continued)**

returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**o) Deferred tax**

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

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

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

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

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

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**r) Borrowings**

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

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

**Notes to the financial statements (continued)**

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2019. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,400 per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

**w) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a

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

**Notes to the financial statements (continued)**

cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income.

**x) Service concession arrangements**

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

**y) Comparative figures**

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

**z) Subsequent events**

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

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available.

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

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

**Notes to the financial statements (continues)**

**6. Operating Revenue**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Water sales	270,131,916	255,831,579
Sewerage Services	61,897,306	52,135,430
Meter Rent	10,940,600	0
Billing for other services	14,935,811	10,671,100
<b>Total</b>	<b>357,905,633</b>	<b>318,638,109</b>

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.

**7. Grants Income**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Grants from Government entities	50,000	22,892,455
Grants from other agencies	495,500	16,648,720
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	1,250,000	0
<b>Total</b>	<b>1,795,500</b>	<b>39,541,175</b>

**Detailed analysis of grants received from the Government and Other Donations**

<b>Name of the Entity sending the grant</b>	<b>Amount recognized in the Statement of Comprehensive Income Kshs</b>	<b>Amount deferred under deferred income Kshs</b>	<b>Amount recognised in capital fund. Kshs</b>	<b>Total grant income during the year Kshs</b>	<b>2023/2024 Kshs</b>
Amatsi Water Company Limited	50,000	0	0	50,000	50,000
US AID PPE Kits	58,000	0	0	58,000	58,000
Charlink -Supplier	22,500	0	0	22,500	22,500
County Government of Kakamega	415,000	0	0	415,000	415,000
Lake Victoria North Water Works Development Agency	1,250,000	0	0	1,250,000	1,250,000
<b>Total</b>	<b>1,795,500</b>	<b>0</b>	<b>0</b>	<b>1,795,500</b>	<b>1,795,500</b>

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

Notes to the financial statements (continued)

**8. Other Income**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Rental Income	204,000	0
Staff Incentive	384,770	0
Water Bowser	0	3,242,247
Disconnection Request	0	10,000
Exhauster	0	1,744,000
Illegal Connection Penalties	0	2,353,000
Lab-Testing	0	167,124
Late Fee for Reconnection	0	3,455,000
Meter Replacement/Stolen	0	372,500
Meter Tempering	0	188,000
Meter Test	0	28,400
Sewer-Connection	0	99,500
Statement Printing Fee	0	28,200
Reconnection Request	0	1,400
Sewer Unblocking	0	7,500
Surcharge Fee	0	386,500
Survey Fee	0	2,818,100
Turn Off Fee	0	150,121
Turn On Fee	0	54,600
<b>Total</b>	<b>588,770</b>	<b>15,106,192</b>

**9. Finance Income**

	<i>2023/2024</i>	<i>2022/2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Interest on FDR-July	419,178	863,014
Interest on FDR-August	419,178	244,520
Interest on FDR-Sept	419,178	244,520
Interest on FDR-Oct	419,178	279,452
Interest on FDR-Nov	419,178	279,452
Interest on FDR-December	419,178	279,452
Interest on FDR-Jan	513,397	279,452
Interest on FDR-Feb	513,397	279,452
Interest on FDR-Mar	47,210	0
Interest on FDR-Apr	47,210	0
Interest on FDR-May	47,210	0
Interest on FDR-June	47,210	0
<b>Total</b>	<b>3,542,262</b>	<b>2,749,314</b>

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

**Notes to the financial statements (continued)**

**10. Staff Costs**

<b>Description</b>	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Basic salary	93,068,000	75,669,200
Leave allowance	2,287,366	1,781,408
Transfer allowance	2,426,400	2,563,500
Commuter allowance	7,392,000	6,407,000
House allowance	23,753,000	20,541,000
Airtime allowance	2,755,000	2,170,000
Pension Employer	13,898,430	12,896,880
NSSF Employer	2,910,870	1,820,880
Acting allowance	437,500	1,122,596
Special duty allowance	98,850	302,400
Non-practicing allowance	360,000	440,000
Performance reward	5,215,527	5,789,992
Risk allowance	1,071,000	798,000
Entertainment	600,000	795,000
Salary Arrears	1,750,000	845,848
Housing Levy	1,707,057	0
Gratuity	2,672,200	2,929,050
Medical insurance	12,377,663	15,339,402
Casual wages	4,408,149	6,349,139
Interns	885,000	0
<b>Total</b>	<b>180,074,012</b>	<b>158,561,295</b>
<b>The average number of employees during the year</b>	<b>176</b>	<b>178</b>

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

**Notes to the financial statements (continued)**

**11. General and Operations Expenses**

	<i>2023/2024</i>	<i>2022/2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Electricity (production)	16,209,143	11,116,572
Chemicals	12,798,569	16,026,894
Abstraction fees	2,604,000	3,241,048
Bulk water costs	1,271,374	1,182,310
Postage, Telephone and Internet	3,645,495	4,503,484
Transportation, Travelling & Subsistence	10,817,799	17,330,013
Printing & Stationary	571,342	788,415
Security services	8,476,473	13,166,907
Fuel & Lubricants	3,390,000	4,361,860
Lab reagents	256,239	193,195
Domestic requisites	1,887,794	1,470,466
Corporate Social responsibility	1,139,520	1,489,650
Uniform & protective clothing	929,549	187,500
Subscription fees	769,356	994,980
Publicity & Advertisement	481,230	2,931,542
Consultancy/profession fees	0	788,500
Bank Charges	234,824	625,987
Games & Sport	3,590,300	701,428
Customer Identification Survey	107,936	3,767,845
Stakeholders' Awareness & AGM	4,085,000	1,455,200
Pro-Poor	4,024,270	698,460
Debt Collection	568,950	4,372,675
Motor vehicle insurance	342,250	225,882
ICT Expense	1,511,212	2,370,208
Audit Expenses	26,950	0
Legal fees	324,640	545,940
Levies	10,805,277	12,745,524
WASPA -Annual fee	162,000	132,000
Hospitality	3,493,529	2,619,400
Enforcement	168,500	45,825
Provision for Bad debts	27,479,507	30,285,377
Training cost	6,645,767	9,065,042
Electricity Office	0	468,108
Journals	0	1,500,000
<b>Total</b>	<b>128,818,795</b>	<b>151,398,237</b>

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

**Notes to the financial statements (continued)**

**12. Board Expenses**

	<i>2023/2024</i>	<i>2022/2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Chairman Honoraria	660,000	605,000
Travel, training and accommodation & Other Emoluments	5,605,085	5,572,550
Board Medical cover	731,143	0
<b>Total Board Expenses</b>	<b>6,996,228</b>	<b>6,177,550</b>

**13. Maintenance Expenses**

	<i>2023/2024</i>	<i>2022/2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Infrastructural networks	14,114,880	33,060,810
Motor vehicles	1,275,787	2,095,750
Software Maintenance	2,000,000	2,000,000
<b>Total Maintenance Expenses</b>	<b>17,390,667</b>	<b>37,156,560</b>

**14. Depreciation and Amortization Expenses**

	<i>2023/2024</i>	<i>2022/2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Property, plant, and equipment	1,803,693	1,290,912.38
Buildings	111,220	0
Water supply infrastructure	2,661,683	1,226,050
Motor vehicles, including motorcycles	3,399,972	3,875,807
Computers and related equipment	2,418,416	79,801
Office equipment, furniture and fittings	297,010	66,270
Water meters	676,793	508,750
<b>Total Depreciation and Amortization</b>	<b>11,368,787</b>	<b>4,433,209</b>

**15. Finance costs**

	<i>2023/2024</i>	<i>2022/2023</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Loan Interest Repayment	1,322,464	555,663
KFW Loan	20,814,771	21,048,645
Mumias World Bank	2,068,741	2,585,926
Lumakanda World Bank	378,079	472,599
<b>Total</b>	<b>24,584,055</b>	<b>24,662,833</b>

**Kakamega County Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements For the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**16. Property, Plant and Equipment**

	Freehold Land	Buildings and civil Works	Water and Sewer infrastructure	Plant and machinery	Motor vehicles & motorcycles	Computers & related items	office equipment, furniture & fittings	Water meters	Capital Works in Progress	TOTAL
As on 01/07/2023	0	7,761,012	33,894,378	16,482,026	37,934,503	17,480,156	6,491,186	35,799,883	73,699,868	229,543,012
Depreciation										
At start of year (1st July 2022)	0	0	1,621,568	1,351,714	19,801,320	7,742,565	3,775,663	25,063,563	0	59,356,393
Disposal	0	0	0	0	0	0	0	0	0	(14,062,911)
Charge for the year	0	0	1,290,912	1,891,289	725,327	292,127	339,440	1,342,040	0	4,433,209
Total depreciation at end of year	0	0	2,912,480	3,243,003	20,526,647	8,034,692	4,115,103	26,405,603	0	65,237,530
Net Book Value as on 30/06/2023	0	7,761,012	30,981,898	13,239,023	17,407,856	9,445,464	2,376,083	9,394,280	73,699,868	164,305,482
Cost as at 01/07/2023	2,200,000	5,561,012	33,894,378	16,482,026	37,934,503	17,480,156	6,491,186	35,799,883	73,699,868	229,543,012
Additions	0	0	3,251,755	1,190,524	0	770,750	0	1,434,411	57,884,000	64,531,440
Transfers	0	0	19,000,000	0	0	0	0	0	(19,000,000)	0
Disposal	0	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0	0
As on 30/06/2024	2,200,000	5,561,012	56,146,133	17,672,550	37,934,503	18,250,906	6,491,186	37,234,293	112,583,868	294,074,45
Depreciation	0	0	0	0	3,807,968	2,953,704	0	0	0	6,761,672
At start of year (1st July 2023)	0	0	2,912,480	3,243,003	24,334,616	10,988,396	4,115,103	26,405,603	0	71,999,201

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

<b>Adjustments</b>										
Charge for the year	0	111,220	2,661,683	1,803,693	3,399,972	2,418,416	297,010	676,793	0	11,368,787
Impairment Loss	0	0	0	0	0	0	0	0	0	0
Disposal	0	0	0	0	0	0	0	0	0	0
<b>Total depreciation at end of year</b>	<b>0</b>	<b>111,220</b>	<b>5,574,162</b>	<b>5,046,696</b>	<b>27,734,587</b>	<b>13,406,812</b>	<b>4,412,113</b>	<b>27,082,396</b>	<b>0</b>	<b>83,367,988</b>
<b>Net Book Value as on 30/06/2024</b>	<b>2,200,000</b>	<b>5,449,791</b>	<b>50,571,970</b>	<b>12,625,853</b>	<b>10,199,915</b>	<b>4,844,094</b>	<b>2,079,072</b>	<b>10,151,897</b>	<b>112,583,868</b>	<b>210,706,464</b>
<b>Rate of Depreciation</b>	<b>0%</b>	<b>2%</b>	<b>5%</b>	<b>12.5%</b>	<b>25%</b>	<b>33.3%</b>	<b>12.5%</b>	<b>6.25%</b>		

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

**Notes to the financial statements (continued)**

**17. Inventories**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Pipes and Fittings	12,472,908	13,694,827
Meters	1,847,871	2,561,240
Stationery	643,925	4,010,919
Electrical Material	130,094	1,685,390
Chemicals	350,517	1,699,428
Water stock	1,871,413	1,861,358
General items	1,053,281	260,800
<b>Total</b>	<b>18,370,009</b>	<b>25,773,962</b>

**18. Trade and Other Receivables**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>KShs</b>	<b>KShs</b>
Trade receivables (note (18a))	330,203,606	302,853,773
Deposits and prepayments	0	0
Other receivables	0	0
<b>Gross trade and other receivables</b>	<b>330,203,606</b>	<b>302,853,773</b>
Provision for bad and doubtful receivable	(82,888,039)	(30,285,377)
<b>Net trade and other receivables</b>	<b>247,315,566</b>	<b>272,568,396</b>

**18. (a) Trade Receivables**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	330,203,606	302,853,773
Bad Debts written off	( 55,408,532)	0
Provision for doubtful receivables	(27,479,507)	30,285,377
<b>Net trade receivables</b>	<b>247,315,566</b>	<b>272,568,396</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	0	0
Between 30 and 60 days	32,351,979	26,705,120
Between 61 and 90 days	11,260,301	9,294,878
Between 91 and 120 days	9,224,815	7,614,675
Over 120 days	277,366,510	228,953,723
<b>Total</b>	<b>330,203,606</b>	<b>272,568,396</b>

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

**19. Bank and Cash Balances**

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	79,423,762	137,604,488
Cash in hand	0	0
Mobile money account	4,212,156	899,966
<b>Total</b>	<b>83,635,918</b>	<b>138,504,454</b>

**Detailed analysis of the cash and cash equivalents**

		<b>2023/2024</b>	<b>2022/2023</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
KCB Revenue	1273194454	1,913,092	621,537
KCB Expenditure	1273194667	4,713,553	1,280,893
KCB Development	1233504525	271,422	272,487
Cooperative Bank Revenue	01100632410100	3,090,484	1,833,093
Cooperative Bank CLSG	01141632410100	0	538
Family Bank Project WSTF	078000040458	1,011,022	3,903,881
KCB WSTF	1266314725	0	438,120
Family Bank Revenue	078000040724	276,979	128,683
Family Bank Project account	078000055956	310,566	311,281
Family Bank Deposit	078000040459	1,323,853	957,386
<b>Sub- total</b>		<b>12,910,971</b>	<b>137,610,487</b>
<b>b) Fixed deposits account</b>			
National Bank of Kenya	01520242885400	66,512,792	127,862,588
<b>Sub- total</b>		<b>66,512,792</b>	<b>127,862,588</b>
<b>c) Others</b>			
Mobile money account	Pay bill 772153 & 883061	4,212,156	893,966
<b>Sub- total</b>		<b>4,212,156</b>	<b>893,966</b>
<b>Grand total</b>		<b>83,635,918</b>	<b>138,504,453</b>

**20. Prepayments**

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Contract fee	13,715,846.00	15,339,402.00
Monthly payable	1,142,987.17	7,669,701.00
Total annual payable 4 months -March - June	4,571,948.67	10,317,992.00
Actual paid	5,912,564.00	0
Prepaid Medical Cover	<b>1,340,615.33</b>	<b>2,648,291.00</b>

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

**Notes to the financial statements (continued)**

**21. Ordinary Share Capital**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Authorized:</b>		
1,000 ordinary shares of Kshs.100 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
1,000 ordinary shares of Kshs.100 par value each	<b>100,000</b>	<b>100,000</b>

**22. Capital Development Fund**

	<i>2023/2024</i>	<i>2022/2023</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Previous balance b/f</b>	<b>215,000,000</b>	<b>215,000,000</b>
Addition in the Year	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>215,000,000</b>	<b>215,000,000</b>

This is made up of Ksh. 87,000,000 and Ksh. 128,000,000 received from County Government of Kakamega in the year 2021 and 2022 respectively for Development projects

**23. Retained Earnings**

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

	<b>Retained earnings</b>
<b>As at July 1, 2023</b>	(461,970,645)
Capitalized Inventory W/O	148,042,643
For the year	(6,354,903)
<b>As at June 30, 2023</b>	<b>(320,282,905)</b>
<b>As at July 1, 2024</b>	(320,282,905)
profit for the year	(5,400,381)
<b>As at June 30, 2023</b>	<b>(325,683,286)</b>

**Notes to the financial statements (continued)**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,400 per employee per month. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

**24. Trade and Other Payables**

	<b>2023/2024</b>	<b>2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Trade payables	56,396,015	59,193,639
Other payables	203,921,851	218,755,651
Customer deposit	2,955,599	3,242,000
Contingent Liability	0	13,410,788
Long term payables	408,678,432	414,381,413
<b>Total</b>	<b>671,951,897</b>	<b>705,741,491</b>

**Aging Analysis for Trade and other Payables**

	<b>2023/2024</b>	<b>% of the total</b>	<b>2022/2023</b>	<b>% of the total</b>
Under one year	28,468,254	4%	70,574,149	10%
1-2 years	30,883,360	5%	91,746,394	13%
2-3 years	203,644,872	31%	119,976,053	17%
Over 3 years	408,955,411	60%	423,444,895	60%
<b>Total</b>	<b>671,951,897</b>		<b>705,741,491</b>	

**Notes to the financial statements (continued)**

**Other Disclosures**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

**25. Related Party Disclosures**

**County Government of Kakamega**

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

Other related parties include:

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

**(i) Credit risk**

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

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

**Notes to the financial statements (continued)**

**Kakamega County Water and Sanitation Company Limited  
Annual Reports and Financial Statements For the year ended June 30 2024**

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

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

**ii) Liquidity risk management**

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

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

**(iii) Market risk**

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

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

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

**Notes to the financial statements (continued)**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

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

**a) Foreign currency risk**

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

**b) Foreign currency sensitivity analysis**

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

**c) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

**Notes to the financial statements (continued)**

**Kakamega County Water and Sanitation Company Limited**  
**Annual Reports and Financial Statements For the year ended June 30 2024**

**iii) Fair value of financial assets and liabilities**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

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

***Financial instruments not measured at fair value***

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

**iv) Capital Risk Management**

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

**26. Incorporation**

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

**27. Events After the Reporting Period**

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)												
<p>4.1 Inaccuracy in General and Operation Expenses</p>	<p>The statement of profit or loss and other comprehensive income reflects an amount of Kshs. 149,031, 172 in respect to general and operation expenses as disclosed in Note 1.1 to the financial statements. However, schedules availed to support financial statements figure of Kshs.4,295,540 for telephone and postage, consultancy and security did not have payment details such as date, payee, detail and invoice number as shown below.</p> <p>In addition, the payment vouchers were not availed confirm the validity of payments made.</p>	<p>The management has made the necessary adjustments in the revised Financial Statements</p> <p><i>Annex 1- Revised Financial statements</i></p> <p><i>Annex 2 - General and Operation expenses schedules</i></p>	Resolved													
	<table border="1"> <thead> <tr> <th data-bbox="371 1171 927 1230">Component</th> <th data-bbox="927 1171 1178 1230">Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="371 1230 927 1289">Postage, telephone &amp; Internet</td> <td data-bbox="927 1230 1178 1289">611,060</td> </tr> <tr> <td data-bbox="371 1289 927 1348">Consultancy</td> <td data-bbox="927 1289 1178 1348">15,000</td> </tr> <tr> <td data-bbox="371 1348 927 1407"></td> <td data-bbox="927 1348 1178 1407">1,200</td> </tr> <tr> <td data-bbox="371 1407 927 1466"></td> <td data-bbox="927 1407 1178 1466">294,980</td> </tr> <tr> <td data-bbox="371 1466 927 1513"></td> <td data-bbox="927 1466 1178 1513">11,200</td> </tr> </tbody> </table>				Component	Amount	Postage, telephone & Internet	611,060	Consultancy	15,000		1,200		294,980		11,200
	Component				Amount											
	Postage, telephone & Internet				611,060											
	Consultancy				15,000											
					1,200											
					294,980											
	11,200															

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																		
	<table border="1"> <tr><td></td><td>5,000</td></tr> <tr><td></td><td>201,200</td></tr> <tr><td></td><td>112,400</td></tr> <tr><td></td><td>14,000</td></tr> <tr><td>Security</td><td>1,034,000</td></tr> <tr><td></td><td>135,000</td></tr> <tr><td></td><td>900,500</td></tr> <tr><td></td><td>960,000</td></tr> <tr><td>TOTAL</td><td>4,295,540</td></tr> </table>		5,000		201,200		112,400		14,000	Security	1,034,000		135,000		900,500		960,000	TOTAL	4,295,540			
	5,000																					
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	14,000																					
Security	1,034,000																					
	135,000																					
	900,500																					
	960,000																					
TOTAL	4,295,540																					
<p><b>4.2</b> <b>Presentation of Financial Statements</b></p>	<p>Examination of Kakamega County Water and Sanitation Company Limited's financial statements revealed the following anomalies in the presentation of disclosures as stated below.</p> <p>i. Capitalized inventory has not been disclosed in the financial statements as being written off by the Board of Directors, yet it should be written off by the County Treasury.</p> <p>ii. Share capital, revenue reserves, County Government of Kakamega and capitalized inventory disclosed in the statement of financial position do not have disclosure notes in the notes to the financial statements.</p>	<p>The Management has made disclosures in the revised Financial Statements</p> <p>The Board approval minutes have been provided and a letter seeking approval of the same from county treasury has also been provided.</p> <p><i>Annex 1- Revised Financial Statements</i></p> <p><i>Annex 3- Letter to the County Treasury</i></p>	Resolved																			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p><b>4.3 Non-Compliance with the Approved PSASB Reporting Template with Regard to Gain/Loss of Inventory Reporting</b></p>	<p>i. The statement of profit or loss and other comprehensive income reflects an amount of Kshs.7, 373,135 as gain/loss in inventory. However, gain/loss in inventory should not be included in the statement of profit or loss and other comprehensive income as prescribed by the reporting template issued by the Public Sector Accounting Standards Board (PSASB).</p> <p>ii. The statement of financial position as at 30 June 2023 reflects an amount of Kshs.215, 000,000 as County Government of Kakamega. However, this should be reflected as capital received for development as prescribed by the reporting template issued by the Public Sector Accounting Standards Board (PSASB).</p> <p>iii. In the statement of changes in equity for the year ended 30 June 2023 the retained earnings have been incorrectly calculated since there is inclusion of capitalized inventory amount in the retained earnings total amount which is contrary to IAS 1 Paragraph 45.</p>	<p>The management has done the necessary amendments according to the revised reporting template issued by PSASB</p> <p><i>Annex 1-Revised Financial statements</i></p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p><b>4.4 Non-consideration of Provisions of Staff Establishment</b></p>	<p>It was observed that the Company has more staff in some cadres than the provisions in</p>	<p>After transfer of service of 38 staff to Rural Company, Kacwasco reorganized its staff and appointed various staff in certain positions for continuity of service delivery. The 38 staff further filed a court suit on ‘transfer of service’ in Bungoma Employment &amp; Labour Relations Court Petition No. E001 of 2022- Yonah Musumba &amp;37 others Vs. Kakamega County Water and Sanitation Company &amp; Others. After about 10 months, the Kakamega County Government Cabinet directed on recall of the 38 staff, which necessitated their</p>	<p>Not resolved</p>	<p>Ongoing</p>

	<p>its staff establishment as tabled below contrary to part B.2(4)</p>	<p>deployment in various positions. We have since had other transfers and redeployments to ensure we adhere to the approved staff establishment. The Board has also approved procurement of HR Consultant to undertake Organization restructuring that will streamline staff rationalization.</p> <p><i>Annex 3-Correspondences on recall of 38 staff and deployment memo</i></p>		
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																				
	<table border="1" data-bbox="398 360 1160 810"> <thead> <tr> <th>Job Title</th> <th>Department</th> <th>Approved</th> <th>In Post</th> <th>Extra</th> </tr> </thead> <tbody> <tr> <td>Procurement Officer</td> <td>Commercial Finance</td> <td>1</td> <td>2</td> <td>1</td> </tr> <tr> <td>Procurement Officer</td> <td>Commercial Finance</td> <td>3</td> <td>4</td> <td>1</td> </tr> <tr> <td>Registry Clerk</td> <td>HR &amp; Administration</td> <td>1</td> <td>2</td> <td>1</td> </tr> </tbody> </table>	Job Title	Department	Approved	In Post	Extra	Procurement Officer	Commercial Finance	1	2	1	Procurement Officer	Commercial Finance	3	4	1	Registry Clerk	HR & Administration	1	2	1			
Job Title	Department	Approved	In Post	Extra																				
Procurement Officer	Commercial Finance	1	2	1																				
Procurement Officer	Commercial Finance	3	4	1																				
Registry Clerk	HR & Administration	1	2	1																				
<p><b>4.5</b> <b>Unsupported Expenditure on Casual Workers</b></p>	<p>Included in the figure of Kshs.167, 046,052 for staff costs as disclosed in Note 10 to the financial statements is a figure of Kshs.6, 349, 139 being expenditure towards the payment of casual wages. The Company engaged a number of casuals through the financial year under audit review. It was however observed that there were no controls to ensure that the casuals offered services to the Company since muster rolls or duty rosters were not provided for audit verification.</p> <p>It was further observed that the wages paid could not be ascertained because the casual payroll was not provided for audit verification.</p>	<p>The management has put a measure in place to control the casuals through close supervision by their immediate supervisors. i.e. we have the ERP system in place where the Area managers assign staff working under them tasks, we also have attendance registers signed off daily while clocking in and out,</p>	<p>Resolved</p>																					

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>The job cards as well as ERP Reports to proof their engagements since we fully use the system to undertake daily operations i.e. meter reading, disconnections, reconnections and technical maintenance works.</p> <p><i>Annex 4- Sample ERP Reports and attendance registers</i></p> <p><i>Annex 5-Copy of payroll for casuals</i></p>		
<p><b>4.6 Non-remittance of Pension Dues</b></p>	<p>Analysis of the monthly payroll extracts revealed that Kakamega County Water and Sanitation Company Ltd failed to deduct the NSSF dues from the month of July, 2022 to January, 2023 hence no remittances for the same period were made.</p> <p>It was further observed that the Company failed to remit the LAP TRUST deducted amounts from the month of February, 2023 to June, 2023.</p>	<p>Pension arrears outstanding relates to years back when the company was still under LVNWWDA.</p> <p>However, the management has effected a monthly standing order of Kshs</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>2,100,000 which is being adhered to date.</p> <p>The company is in consultation with the county Government of Kakamega towards the settlement of the mentioned deduction.</p> <p><i>Annex 6- Bank standing order</i></p> <p><i>Annex 7- Letter to the county government</i></p>		
<p><b>4.7 Long Outstanding Payables Criteria</b></p>	<p>The statement of financial position reflects an amount of Kshs.414, 672,293 in respect to long term payables as disclosed in Note 21 to the financial statements. These outstanding payables relate to KFW loan Kshs.38,387,465, World bank-Mumias Kshs.275,832,083 and World Bank-Lumakanda Kshs.63,013, which are further observed to have been understated by Kshs. 3,918,961 ,373 as detailed below</p>	<p>The Republic of Kenya, on the basis of the agreement dated 4<sup>th</sup> December 2007, between the Government of Federal Republic of Germany and the Government of the Republic of Kenya on</p>	<p>Not Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor				Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<b>Financial statements balance</b>	<b>Audited balance</b>	<b>Variance</b>	<p>financial co-operation in 2006 and 2007 (Government Agreements), borrowed a loan of EUR 27,960,000 (Kshs. 2,338,738,372) from KfW, Frankfurt am Main, vide a loan agreement dated 21<sup>st</sup> May 2008.</p> <p>The loan was meant for implementation of the Water Sector Development Program (Phase II, stage 2) (Investment Measure).</p> <p>The project executing agency, whom the funds were channelled to, was Lake Victoria North Water Works Development agency.</p>		
KFW Loan	23,387,384	2,338,738,372	2,315,350,988				
World bank- Mumias	275,832,083	1,654,992,496	1,379,160,413				
World bank- Lumakanda	63,013,172	302,463,225	239,450,053				
Motor vehicles	9,400,000	12,770,347	3,370,347				
LVNWWDA	24,669,225	24,669,225	0				
<b>TOTAL</b>	<b>396,301,864</b>	<b>4,333,633,665</b>	<b>3,937,331,801</b>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>These funds were used for infrastructure Development of the Kakamega water supply /Tindinyo treatment works.</p> <p>In addition, the Government of the Republic of Kenya, borrowed a loan of Kes.1, 654,992,498 from World Bank for infrastructure development of the Mumias water supply/Nambacha treatment works and a further Kes. 302,463,225, for infrastructure development of the Lumakanda water supply/Kipkaren treatment works.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>In total the outstanding loan amount is Kshs. 4,296,194,094 (Four Billion, Two Hundred and Ninety-Six Million, One Hundred and Ninety-Four Thousand, and Ninety Four Shillings).</p> <p>KACWASCO did not enter into any loan agreement apart from the handover deed from the Executing agency, which listed the loans as a liability.</p> <p>In line with the provisions of the Water Act 2016, the Water works development agencies are mandated with infrastructure development. Ownership of the developed assets for the three water</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>supplies vest in Lake Victoria Water Works development Agency.</p> <p>Since the loan obligations are huge and unmanageable by the Company, we have written to the National Treasury, through the office of the Governor, for intervention on repayment of these huge outstanding liabilities by the borrower, the Government of the Republic of Kenya.</p> <p><i>Annex 8- Letter to the National Treasury</i></p>		
<p><b>4.8 Prolonged Acting Appointments</b></p>	<p>The Kakamega County Water and Sanitation Company had a total number of 22 staff on acting capacity during the year under audit review. It was observed that out of the 22 staff on acting capacity, 5 staff had acted for more</p>	<p>The Human Resource manual provides that Acting appointments shall last for 6 months' subject to</p>	<p>Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)								
	<p>than the stipulated period hence earning an irregular acting allowance as summarized in appendix 1.</p>	<p>a further acting term of 6 months. We have staff who have acted for 12 months due to financial constraints that the Company has been facing that could not allow their Confirmation as substantive officers in those posts. The management has already reinstated 3 staff in their substantive positions in February 2023 and May 2023 as shown in the table below and is undertaking staff rationalization to ensure proper placement of the remaining two staff.</p> <table border="1" data-bbox="1193 1241 1563 1394"> <thead> <tr> <th>SN</th> <th>NAME</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Nancy Tarus</td> </tr> <tr> <td>2.</td> <td>Josephine Khagasa Ashiono</td> </tr> <tr> <td>3.</td> <td>Christabell Ashiono</td> </tr> </tbody> </table>	SN	NAME	1.	Nancy Tarus	2.	Josephine Khagasa Ashiono	3.	Christabell Ashiono		
SN	NAME											
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<i>Annex 9-Appointment letters to substantive positions of 3 officers</i>		
4.9 Overall Ethnic Representation of Staff	Analysis of staff bio data provided for audit verification revealed that Kakamega County Water and Sanitation Company Limited had 169 staff members as at 30 June, 2023. It was observed that out of the 169 staff, 132 staff were from one ethnic community representing 78% over-representation from one ethnic group.	Kakamega county water and sanitation Company was established under the Kakamega County Water and Sanitation Services Act 2021, Incorporated under the Companies Act 2015 after devolution. The Company has had various transitions since 2006 when it was first established. Majority of staff were inherited from the National Water Corporation and they were on permanent and pensionable terms. During the Financial year under	Not resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		review, the company advertised for various management positions and the recruitment factored ethnicity representation.  <b>List Of Staff Recruited In May 2023</b>  MD-Siaya county CFM-Kakamega county HRM-Kakamega county Chief accountant- Kakamega county  <i>Annex 10- Appointment Letters</i>		

Eng. Michael Ogol

Signature: .....

Managing Director

Date.....

Appendix II: Projects Implemented by the Company  
Projects

Projects implemented by the Company Funded by development partners.

S/No	Project Name	Amount in Budget (Kshs.)	Commencement Date	Expected Completion date	Financier	Targeted Beneficiary Population	Project Status (Current) for June, 2024	Remarks.
1.	Construction of 5000m <sup>3</sup> Reinforced concrete ground tank at Lirhanda–Shinyalu sub county.	97,045,948	October 2019	Initial date April 2020 Revised April 2023  To be updated once a decision on payment of IPC 6 is made.	County Government of Kakamega	123,000	Foundation works 100% complete.  Columns erection 100% complete.  Walling 100% complete.  Casting of roof slab 100% complete.  Construction of resident engineers office at 96% complete.  Overall works certified progress 98% complete.	Contractor agreed to be paid Kshs 4,200,000 then finalize on interconnection and testing of the tank.

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S/No	Project Name	Amount in Budget (Kshs.)	Commencement Date	Expected Completion date	Financier	Targeted Beneficiary Population	Project Status (Current) for June, 2024	Remarks
2.	Malava WSTF UPC 8 <sup>th</sup> Call Water Project.	19,819,905	06 <sup>th</sup> April 2022	July 2024	Water Sector Trust Fund	2,700	100% completed	Commissioned on 14 <sup>th</sup> Dec 2023. Awaiting final funds disbursement from WSTF.
3.	Rehabilitation of eroded Tindinyo raw water pipeline.	10,500,000	September 2022	August 2024	KACWAS CO	180,000	<ul style="list-style-type: none"> <li>- Contractor mobilized to site.</li> <li>- Sand coffer dam for river diversion done.</li> <li>- Earth works done.</li> <li>- Anchor blocks done.</li> <li>- Retaining wall foundation works done.</li> <li>- 100% of retaining wall works done.</li> <li>- 85% of rock fill works done.</li> <li>- 97% of the works done.</li> </ul>	1 <sup>st</sup> IPC of 30% raised and partially paid.  2 <sup>nd</sup> IPC raised, pending payment.

S/No	Project Name	Amount in Budget (Kshs.)	Commencement Date	Expected Completion date	Financier	Targeted Beneficiary Population	Project Status (Current) for June, 2024	Remarks
4.	Water pipeline relocation along Joyland – Ilesi Bypass road.	22,000,000 (Financier – KURA)	September 2022	August 2024	KURA	15,600	<ul style="list-style-type: none"> <li>- Pipeline laying done to 90%.</li> <li>- Partial pressure testing done.</li> <li>- Chamber construction done to 85%.</li> <li>- 95% of the works completed.</li> </ul>	<p>Micro tunneling works for 6Nr. Road crossing service ducts done.</p> <p>Final last mile connectivity pipeline extensions being done.</p>
5.	Constructin of Museno and Manyulia tank site staff and guard houses	3,000,000	Aug 2022	August 2024	KACWASCO	12,500	<ul style="list-style-type: none"> <li>- Museno tank works done 100%</li> <li>- Second IPC for Museno raised and paid.</li> <li>- Manyulia tank works done to 99%.</li> </ul>	<p>Works substantially complete</p> <p>IPC for Manyulia raised.</p>

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S/No	Project Name	Amount in Budget (Kshs.)	Commencement Date	Expected Completion date	Financier	Targeted Beneficiary Population	Project Status (Current) for June, 2024	Remarks
6.	Procurement of containerized water treatment plant for Nandamaywa and Butwehe.	192,000,000	September 2023	September 2024	County Government of Kakamega	32,000	<ul style="list-style-type: none"> <li>- Supply tender awarded and contract signed with the successful bidder.</li> <li>- Supplier paid 20% of the contract price advance payment after providing redeemable bank guarantee from Bank of Baroda (K) Ltd.</li> </ul> <p style="text-align: center;">Designs and drawings submitted for approval.</p>	The Company is yet to receive KShs. 64,000,000 from the County Government.
7.	Shitoli UBSUP	20,313,000	May 2024	April 2025	WSTF	4,690	<ul style="list-style-type: none"> <li>- Financing agreement signed with WSTF</li> <li>- Advert for Social Animators done.</li> <li>- Appointment of project task team done.</li> </ul>	Awaiting for 1 <sup>st</sup> funds disbursement from WSTF.

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S/No	Project Name	Amount in Budget (Kshs.)	Commencement Date	Expected Completion date	Financier	Targeted Beneficiary Population	Project Status (Current) for June, 2024	Remarks.
8.	KISIP for Kakamega and Mumias towns.	30,000,000	December 2023	November 2024	World Bank implemented by the County Government of Kakamega	13,450	- Contractors mobilized to sites and works ongoing for both Mumias and Kakamega towns.	
9.	Malava Town Water Supply Lot1 Project.	KSh886,172,668	October 2023	March 2025	The Government of Kenya	56,200	- Contractor mobilized to site. - Construction of RE's office ongoing (90%). - Construction of 1500m <sup>3</sup> RC at tank Malaba forest ongoing. - Overall works done 8%.	Land acquisition for intake works, water treatment plant, BPT and 100m <sup>3</sup> masonry tank is pending.
10.	Rehabilitation of eroded Tindinyo raw water pipeline.	10,500,000	September 2022	August 2024	KACWASCO	180,000	- Contractor mobilized to site. - Sand coffer dam for river diversion done. - Earth works done. - Anchor blocks done. - Retaining wall foundation works done. - 100% of retaining wall works done. - 85% of rock fill works done. - 97% of the works done.	1 <sup>st</sup> IPC of 30% raised and partially paid.  2 <sup>nd</sup> IPC raised, pending payment.