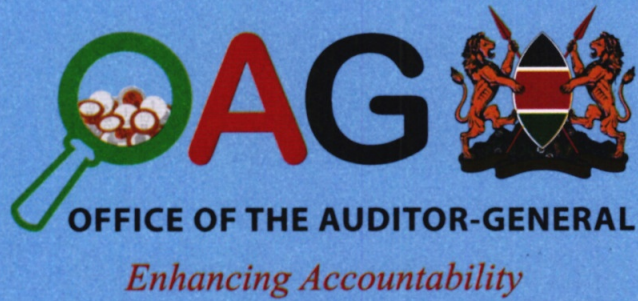


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**ELDORET WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**

PAPERS LAID	
DATE	23/04/2024
TABLED BY	Dep-Senate majority whip
COMMITTEE	—
CLERK AT THE TABLE	CAROLYN E. C.



ELDORET WATER & SANITATION CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**



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

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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 Directors
PFM	Public Financial Management
WASREB	Water Service Regulatory Board
WRA	Water Regulatory Authority
LVNWWDA	Lake Victoria North Water Works Development Agencies
NRWWDA	North Rift Water Works Development Agencies
CCUG	County Government of Uasin Gishu
ELDOWAS	Eldoret Water and Sanitation Co. Ltd
DMA	District Meter Area

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2. KEY ENTITY INFORMATION

Background information

Eldoret Water and Sanitation Company Limited (ELDOWAS) was incorporated in October 1997 under Companies act 2015 Laws of Kenya. It started its operations in the year 2000. The County Government of Uasin Gishu is the principal shareholder. Under the Water Act 2016, ELDOWAS carries out its functions as a Water Services provider under the license provided by Water Sector Regulatory Board (WASREB).

Principal Activities

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

Vision

“A Kenya’s Most Customer-Centric Company.”

Mission Statement

The Company’s mission statement is:

“ELDOWAS is Committed to Provide Adequate Quality Water and Sanitation Services Efficiently for all through energized, Passionate Staff, Working together with Commitment to Innovation.”

Core Values

The company’s core values are;

1. Customer Focus
2. Team Players
3. Trusted
4. Professional
5. Innovativeness
6. Inspiring

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Directors

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

Mr. Andrew Chelogoi	Chairman	Appointed on 08/12/2017
Mr. Simion Kemei	Member	Appointed on 18/06/2014
Mr. Peter Chesos	Member	Appointed on 18/03/2016
Ms. Jane Tanui	Member	Appointed on 08/12/2017
Mr. Erastus Kahonge	Member	Appointed on 08/12/2017
Mr. Mahamoud Kiplagat	Member	Appointed on 05/10/2018
Dr. Victoria Kutto	Member	Appointed on 05/10/2018
Mrs. Zipporah Cheruiyot	Member	Appointed on 08/10/2018
Mr. Ambrose Tarus	Member	Appointed on 15/03/2023
Mr. Eliud Chemaget	Member	Appointed on 15/03/2023
Mr. Peter Biwott	Managing Director	Appointed on 18/10/2021

Management team

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

Mr. Peter Biwott	Managing Director	Appointed on 18/10/2021
Mr. Jimmy Kemboi	General Manager Technical Services	Appointed on 01/11/2012
CPA.CS Wesley Kiprono	General Manager Financial Services	Appointed on 01/07/2021
Mr. Fredrick Kwambai	General Manager Commercial Services	Appointed on 01/07/2021
Ms. Zebby Kirui	General Manager Strategy, Research & Resource Mobilization	Appointed on 01/03/2022

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Registered Office

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

Corporate/ Company Contact

Telephone No: 053-2035000
Mobile No: 0724-255-538
Email: info@eldowas.or.ke
Website: www.eldowas.or.ke

Corporate Banker

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

Other Bankers

1. Kenya Commercial Bank
2. Family Bank
3. Equity Bank

Independent Auditors

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

Principal Legal advisers

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

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3. THE BOARD OF DIRECTORS

	Name: Mr. Andrew Chelogoi Saina Contract Period: 08/12/ 2018 – 26/05/2023 He represents Business Community in the Board. Andrew holds a Diploma in Business Management from Moi University and is currently the Chairman of the Board of Directors. He has over 10 years' experience as an Entrepreneur with a wide range of knowledge in the business environment. He is the Chairperson of the board.
	Name: Mr. Simion Kemei Contract Period: 18/6/2014 – 30/08/2022 He represents the County Government of Uasin Gishu in the Board. He is the Chief Officer in Charge of Water, Environment, Natural Resources, Tourism and Wildlife Management. He holds a Bachelor of Science degree in Environmental & Bio-systems Engineering from the University of Nairobi.
	Name: Peter Kipruto Chesos Contract Period: 18/3/2016-13/02/2023 He represents the County Government of Uasin Gishu where he serves as the Chief Officer in charge of Finance. He holds a Bachelor of Commerce Degree from the University of Nairobi. He has extensive banking experience from 1994 to 2013. He held Branch Managers position both at Consolidated Bank as well as Kenya Commercial Bank.
	Name: Ambrose Tarus Contract Period: 15th March 2023 He represents the County Government of Uasin Gishu where he serves as the Chief Officer in charge of water, environment, natural resource, tourism and wildlife management. He is a Master of art candidate Kisii University. Graduated from Africa Nazarene University with Bachelor of Arts. Degree in Counselling Psychology, Higher Diploma in counselling psychology (Kenya association of professional
	Name: Eliud Kipkorir Chemaget Contract Period: 15/03/2023 He represents the County Government of Uasin Gishu where he serves as the Chief Officer in charge of Finance He has a Bachelor of Bachelor of Science With IT Major: (Mathematics & Computer Science) from Maseno University and is the Chief Officer- Finance and sits in the Board representing the County Government of Uasin Gishu. He has acquired adequate experience in an industrious environment, entrepreneurship, financial controls, credit, sales and relationship management. He is a team leader, my leadership attributes, open-mindedness, communication and

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	analytical skills has enabled me provide creative suggestions on product improvement and service delivery which I intend to use in provision of professional, timely, and friendly delivery of service.
	Name: Jane Cheruto Tanui Contract Period: 08/12/2017 – 19/05/2023 She is a Board member representing Business Community. She has Master of Business Administration Strategic Management Option, Bachelor of Business Management Human Resource Option Moi University. She has over 20 years working experience in the Human Resources at Kenya Pipeline. She is the chairperson of the Finance & Administration committee of the board.
	Name: Mahamoud Kiplagat Contract Period: 5/10/2018- 19/05/2023 He is a Board member representing resident Community of Kipkenyo. He has Diploma in Public Administration from Moi University. He also has 5 years' leadership and Administration experience as an elected Councillor and was rated as the best councillor in 2011 for Eldoret Municipal Council. In addition, he has over 8 years working experience as a supervisor in MEA general stores and Nyangmet Co-operative Society.
	Name: Dr. Victoria Kutto Contract Period: 5/10/2018- 19/05/2023 She is a Board member representing resident Community of Chebara. She has a PHD in Communication Studies, Master in Philosophy in Education Communication and Technology and Bachelor of Education in English and Literature from Moi University. She has over 25 years' experience as an educationist and administrator and also Director in Emerald Green Consultants Ltd. She is the chair of the Audit & Risk committee of the board.

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	Name: Mrs. Zipporah Cheruiyot Contract Period: 5/10/2018- 19/05/2023 She is a Board member representing the professional bodies. She has a Bachelor of Education degree from University of Nairobi, higher Diploma in Human Resource and over 20years of experience shaping the strategic direction and brand positioning for organizations both in Government and Private sector including her own venture, Tumaini Greenfields Schools.
	Name: Mr. Peter Biwott Contract Period:18/10/2021-17/10/2024 He is a Development Economist, a strategist, public policy, and advocacy specialist of long standing in both Public and Private sectors in among others Kenya, Africa, Asia and North Africa and Middle East. He has over 15 years in both private and public sectors having worked from an Economist in Civil Service to senior management in both private and public sectors in Kenya including at international level. He holds an Undergraduate Degree in Economics from Kenyatta University and a Master of Arts Degree in International Development Studies (Economics of Development) from International Institute of Social Studies, The Hague, a constituent college of Erasmus University Rotterdam, The Netherlands. He is a beneficiary of the prestigious Joint Japan World Bank Graduate Scholarship and the Africa Capacity Building Foundation programmes. He has further training including Strategic Leadership Management, Macroeconomics and Public Finance, Strategic Management and leadership, Corporate Governance, Monitoring and Evaluation, Frontiers in Development Policy and Policies for Growth.

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4. CORPORATE MANAGEMENT TEAM

	Name: Mr. Peter Biwott Contract Period:18/10/2021-17/10/2024 He is a Development Economist, a strategist, public policy, and advocacy specialist of long standing in both Public and Private sectors in among others Kenya, Africa, Asia and North Africa and Middle East. He has over 15 years in both private and public sectors having worked from an Economist in Civil Service to senior management in both private and public sectors in Kenya including at international level. He holds an Undergraduate Degree in Economics from Kenyatta University and a Master of Arts Degree in International Development Studies (Economics of Development) from International Institute of Social Studies, The Hague, a constituent college of Erasmus University Rotterdam, The Netherlands. He is a beneficiary of the prestigious Joint Japan World Bank Graduate Scholarship and the Africa Capacity Building Foundation programmes. He has further training including Strategic Leadership Management, Macroeconomics and Public Finance, Strategic Management and leadership, Corporate Governance, Monitoring and Evaluation, Frontiers in Development Policy and Policies for Growth.
	Name: Eng. Jimmy Kemboi Contract Period: 1/11/2012 – 31/10/2023 Eng. Kemboi holds a Master of Science degree in Development studies from Moi University, Bachelor of Science Degree in Water Engineering from Egerton University. He is a Registered Engineer with the Engineers Board and a Corporate Member of the Institution of Engineers of Kenya (IEK). He is a full member of the Kenya Institute of Management (KIM). Eng. Kemboi has over 16 years working experience in diverse environments on water and sanitation sector. He Joined the company in 2009 as the Sewerage Manager and was appointed as the Head of Technical Services in November 2012.
	Name: CPA, CS Wesley Kiprono Contract Period: 1/07/2012 – 30/06/2024 Mr. Kiprono holds a Masters of Business Administration (MBA-Financial Management), Bachelor of Commerce Degree (BCOM-Finance), Post Graduate Diploma in Project Management and is currently pursuing a PhD. course in Business Administration (Financial Management- Research stage) at the Jomo Kenyatta University of Science and Technology. He is a Certified Public Accountant of Kenya (CPA-K), Certified Public Secretary of Kenya (CPS-K), Certified Investment & Financial Analyst (CIFA-

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	Intermediate level), Certified Professional Mediator (Eckerd College, Mediation Training Institute) and also has Certifications in Strategic Leadership Development Program & Senior Management Course (Kenya School of Government). Actively engaged in professional associations, he is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries of Kenya (ICPSK), the Institute of Internal Auditors of Kenya (IIAK), and the Kenya Institute of Management (KIM-Full member). He has extensive working experience in both the Private and Public sector in Management, Finance and Accounting and has also worked as a part time lecturer in several private and public universities at under graduate and postgraduate levels.
	Name: Fredrick Kosgei Contract period: 01/07/2021-30/06/2024 Holder of Masters in Business Administration (MBA) Finance Option degree from Moi University, a Bachelor of Science Degree (Mathematics & Chemistry) from The University of Nairobi, a MIS Diploma from Institute of Management of Information Systems (UK), Senior Management Course (KSG). Also, he is a Full member (FKIM) with Kenya Institute of Management (KIM). He has over 17 years working experience in the financial sector with wide experience and training in People management, Marketing, Relationship management, Credit and Debt management, Customer experience, MSME, Micro credit and Data analysis
	Name: Zebby Kirui Contract period: 01/03/2022-28/02/2025 Holder of a Masters Degree in Business Administration (MBA) Strategic Management Option and a Bachelors Degree in Business Management(BBM) Finance and Banking Option both from Moi University. Ms Kirui is a Full Member with Kenya Institute of Management (KIM). She has over 12 years work experience in both Private and Public Sector with a wealth of experience and Training in Strategic Management, Partnership Management and Resource Mobilization.

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5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it's my great pleasure to present to you the annual reports and financial statements of Eldoret Water and Sanitation Company Limited for the year ended 30th June 2023. Since its inception and operations in the year 2000, the Company has continued to attain remarkable achievements in provision of water and sewerage services within its area of jurisdiction.

Operating Environment

The Company operates in a regulated and stable business environment which complies with the provisions of the constitution, applicable laws and regulations in ensuring commercial viability. The Company understands its strategic role to the achievement of the Sustainable Development Goals(SDG) in water and sanitation by the year 2030 and to the Government of Kenya in attainment of the big four (4) agendas and as guided in the 5 year strategic Plan.

Strategic Direction and Sustainability

ELDOWAS has excelled in its mandate to provide water and sanitation services. We have seen great milestones and accomplishments on the plans laid out in the strategic plan which were, to create and transform systems, structures and institutions based on the identified key areas; Capacity to meet demand, Operational Efficiency and Organisational Development. The Company implements its 5-year strategic plan through its annual approved work plan.

Water demand outstrips its supply by a margin of approx. 17,000m³ per day and sewerage coverage stands at about 35%. To bridge the gaps above, the Company has put in place plans which includes;

- Proposed Augmentation of Chebara pipeline designs complete. Sourcing of funding in progress.
- Extension of sewer lines under the last mile connectivity project.
- Design of the proposed Two Rivers Dam and extension of Sosiani Water treatment plant is complete. Sourcing for funding.
- Kipkaren Water Supply Project which is 60% complete. currently stalled.
- Design and construction of proposed kerita dam.
- Design and construction of the proposed Endaragwa Dam.
- Improvement of the water supply network and NRW reduction.
- Replacement of aged consumer water metres.
- Enabler interventions- Climate adaptation mitigation and adaptation measures in the catchment areas.

Future outlook

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

- Initiate Augmentation of Chebara Water Supply project which will increase water supply by 7,000m³/day.
- Complete the Kipkaren Water Supply Project which will increase water supply by 24,000m³/day.
- Project reduction of Non- Revenue Water to 36% by June 2024

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- Continue to automate processes in the Company
- Extend and rehabilitate the water and sewer network within the service areas.
- Collaborate with development Partners with a view to improving water and Sewerage sources and supply infrastructure.

Appreciation

Finally, I would like to extend my sincere gratitude to the County government of Uasin Gishu, all our stakeholders and my fellow members of the board of directors, employees and customers for their unwavering support and commitment geared towards the achievement of the goals of the Company.

Signed  Date: 15-2-2024
Hon. David Kiptoo Singoei
Board Chairman

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7. REPORT OF THE MANAGING DIRECTOR

It is my pleasure to present the Company's annual report and financial statement for the year ended 30th June 2023 which covers the activities performed during this period. The Company has developed a 5-year Strategic Plan (2022-2027) which was developed using the best strategic Management approaches of systems thinking, stakeholder consultations and staff engagements. The document is therefore a result of a detailed review of our past performance, a thorough scan of the Company's internal and external environment, a forecast of the future and the understanding of the context in which we are operating in.

It is out of this detailed process that the Company has been transformed to "Kenya's Most Customer-Centric Company" to ensure our next phase focus on enhancing relationships with our customers both internal and external.

Our strategy is firmly on course and we have been able to establish a strong footing in the provision of Water and Sewerage services. The Company's performance in the year under review was underpinned by a continued focus on operational efficiency, adoption of new technologies, sound corporate governance and a strong Control framework.

A) ACHIEVEMENTS

During the 2022/2023 financial year the Company made several achievements. The following achievements were realized during the year;

- i) The Company was ranked position eleven (11) overall amongst all Water Service Providers in Kenya (WASREB Impact Report No. 15).
- ii) For the seventh year running, the Company continued to adopt performance contracting framework in its operations. Performance targets are derived from the strategic plan, which is linked to the budget as well as departmental work plans. Performance management framework has seen transformation in the day-to-day operations.
- iii) In the year under review, the Company maintained a positive cash flow. It realised an operating revenue of Kshs. 775,942,583.
- iv) The Company has continued to embrace automation of its processes. Some of these include adoption of Internet of Things (IoTs) based on Narrowband Technology from Safaricom for Smart Metering Infrastructure (AMI), Geographical Information System (GIS) mapping of water pipelines and consumer meters, rolling out ELDOWAS App through the play store for consumers and instant billing whose outcome reduced the turnaround time and improved efficiency. The Company is also implementing Smart Metering Infrastructure for District Meter Area (DMA) as a strategy to manage Non-Revenue Water.
- v) In the year under review, the Company continued to comply with the ISO 9001:2015 requirements on Quality Management system and ISO/IEC 17025:2017 on Lab accreditation having been recertified on both standards. This continued to boost the profile of the Company to offer quality products and services both locally and internationally.

B) CHALLENGES

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

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- i) Water shortage of about 13,000m³/day in Eldoret town and its environs due to high demand as result of ever-increasing population growth and developments.
- ii) Inadequate funding to improve and rehabilitate old infrastructure in an effort to reduce the high Non-Revenue Water currently at 38% and initiate new expansion development programmes.
- iii) The outstanding debts stands at Kshs. 528,199,121 (water & cleansing) for the reporting period compared to Kshs. 597,404,809 in the last financial year.
- iv) Rampant illegal connections for both water and wastewater

THE GENERAL OUTLOOK

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

- (a) Develop, expand, improve water distribution and supply infrastructure within the mandated area of coverage.
- (b) Extend and rehabilitate the sewer network within the service areas.
- (c) Project reduction of Non- Revenue Water to 36% by June 2024.
- (d) Continue to automate Company processes.
- (e) Continue to implement the approved cost- recovery tariff for both Water and Sewer services.
- (f) Collaborate with development Partners in regard to improving water sources and supply infrastructure.

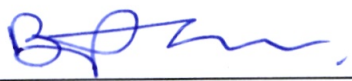
D) CONCLUSION

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

Thank you,

God bless us all, God bless ELDOWAS.

Signed _____



Mr. Peter Kibet Arap Biwott
Managing Director

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7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Eldowas has three (3) strategic pillars and objectives within its Strategic Plan 2022- 2027. These strategic pillars are as follows:

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

Eldowas develops its annual work plans based on the above three (3) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the Financial Year 2022/2023 period for its three (3) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar1: Capacity to meet demand	Adequate Water Supply	Additional Volume of Water to increase the hours of Supply	Development of additional Water Sources	- The Company maintained production capacity of approximately 41,398m³/day following the commissioning of Kapsoya/Ellegrini Water Project - 21 hours of supply per day -Kipkarren Water Project is stalled and percentage of completed works is 61.63% -Proposal for Two Rivers Dam design review, construct and operate under PPP'S is sent to Ministry of water and evaluations are on going
		New distribution network	Extension of distribution networks	Laid 21 kms of new pipelines
		Replacement of old pipelines	Identification and replacement of aged/dilapidated pipelines	Replaced 9.7 kms of aged pipelines with HDPE pipes
	Adequate Sewerage Services	New Sewer lines	Extension of sewer networks – 5 kms/yr	Extended 4.3 kms of new sewer network
		New Sewer connection	500 new connections per year	691 new sewer connections made
	Environmental Management and	No. of catchment	Catchment protection and management	-Sponsored conservation runs at Moiben, Kaptagat and Naiberi.

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	Conservation	areas protected No. of trees planted	activities Tree planting exercises	-The Company Planted 225,878 tree seedlings -Maintained tree nurseries at Kipkenyo and Chebara that produced a total of 270,000 seedlings.
	Funding	Funds from External Sources	-Development of funding proposals -Resource Mobilization	The Company received Kshs. 73,275,862 from the County Government of Uasin Gishu of which Kshs 49,100,000 was on purchase of pipes and Kshs.24,175,862 was through a Bank Transfer.
Pillar2: Operational efficiency	Reduce NRW	% of reduction	-Develop and implement NRW reduction Strategies	NRW reduced from an average of 39% the previous year to an average of 37.8% as at the end of the year (30 th June 2023).
	Automation of operations	Automation of key company processes	ERP Treatment plants Metering Customer side	-ERP in place -Chlorine dosing has been automated -Successful implementation of proof of concept for smart metering infrastructure. -Deployed customer service android App. - Fleet Management system. -Deployment of Smart Metering Infrastructure for District Meter Area underway -Refreshed Company website
	Financial Management	Personnel costs as a % of O&M Debt Reduction % Increase of revenue and collections	-Management of the wage bill to below 30% -Debt collection -Tariff review -Recruitment of new customers -Improved hours of supply	-Staff cost increased from 47% to 51% -Collected Ksh.72,496,311 million from the old debt. -Continued to implement the approved tariff - 2,592 new water and 651 sewer connections. -Maintained at 21 hours/day
	Service excellence	-Level of Customer	-To carry customer Satisfaction survey	- The Customer Satisfaction survey 2020/2021 was carried out and the

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		Satisfaction		customer satisfaction index was 78.9% from previous 70.4%.
		% of customer complaints resolved.	-Resolve all customer complaints as per the customer service charter	-Achieved 98% resolution of customer complaints.
		Employee Satisfaction	-Implementation of the recommendations of the 2018/19 employee satisfaction report	-Continues to implement the matrix
	Optimization of existing plant and infrastructure	95% plant utilization	-Scheduled maintenance programmes -Calibration of equipment -Capacity building	-98% compliance to scheduled maintenance programme -All equipment were calibrated -Staff trainings effected -Achieved 84.7% utilization of the plants due to aging infrastructure and prolonged dry spell in the year.
Pillar 3: Organisational Development	Improve productivity	100% of staff to be trained	Undertaking annual capacity building as per training needs and job enrichment	-Training needs assessment (TNA) in place. -Achieved 50% of the planned staff trainings as per TNA. The COVID-19 pandemic restrictions affected the planned trainings.
		Annual performance contracts and appraisals	-Develop Annual Performance Contracts and appraisals -Cascading the Performance Contracts -Review of Performance Contracts and appraisals	-Signed annual individual performance contracts and appraisals -Cascaded the performance Contracts - Undertook annual performance reviews - Continuous monitoring and reporting of the Company performance
	Achieve total statutory and legal requirements compliance	100% of compliance	Adherence to all Statutory, Regulatory and Industry Requirements	-Submitted the relevant annual accounts by 30th September 2023. -Complied with statutory requirements and other obligations such as PAYE, NHIF, Pension, Helb,

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				Sacco dues, Staff Loans and NSSF, OSHA, Labour Laws, Submitted Reports to NEMA, WASREB.
	Institutionalize Corporate Governance across the organization	100% of compliance	Comply with chapter 6 of the constitution of kenya 2010 requirements on Leadership and Integrity Capacity Building	-Conflict of Interest register in place. -All Board members and management trained on Corporate Governance. -Recruitment of Board Members and staff requires compliance with Chapter 6.

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8. CORPORATE GOVERNANCE STATEMENT

Governing ELDOWAS includes the formulation, establishment and implementation of water policies, legislation and institutions, and clarification of the roles and responsibilities of government and its different layers, civil society and the private sector in relation water resources and services.

The outcomes depend on how the stakeholders act in relation to the rules and roles that have been taken or assigned to them. The water sector is a part of broader social, political and economic developments and is thus also affected by decisions by actors outside of the water sector. Hence the need for clarity in how the entities that provide the right to water are governed.

Corporate governance refers to the establishment of an appropriate legal, economic and institutional environment that allows companies to thrive as institutions for advancing long-term shareholder value and maximum human-centred development while remaining conscious of their other responsibilities to stakeholders, the environment and the society in general. In the context of water services, shareholder value is realised in universal coverage in safe, clean water in adequate quantities and reasonable standards of sanitation.

Efficient and effective provision of water services and progressive realization of the basic human right to water can only be achieved if the leadership and management in the Company is guided by the tenets of good governance

We, the board of directors are accountable to shareholders for achieving the corporate objectives. The shareholder is accountable to the citizen who requires the services and owes fidelity to the Constitution 2010 and attainment of Vision 2030 and the Sustainable Development Goals.

THE NEED FOR CORPORATE GOVERNANCE

Corporate governance has been embedded in EDOWAS with an objecting of achieving the following goals:

1. Ensure the profitability and efficiency of water services delivery.
2. To create ethical business enterprises and their capacity to create wealth and employment as water is an enabler under Agenda 4.
3. Ensure the long-term competitiveness of the water sector by ensuring the pricing and affordability promotes source protection.
4. Ensure the stability and credibility of the water sector financially and thus attract finance for asset development.
5. Improve relationships between the different players in the water sector so as to be able to deliver quality, affordable water services in a sustainable manner.
6. Improve the relationship between water enterprises and their various stakeholders comprising shareholders, water catchment areas, managers, employees, customers, suppliers, labour unions, communities, providers of finance and other government agencies.
7. Maintaining arms length relationships that are based on the vision of creating and sustaining a commercially viable WSP.
8. Efficiency in the provision and distribution of water services.
9. Sustainability of the financial resources.
10. Attainment of water for all.
11. Transparency and accountability to the public.

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

Composition of the Board

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

Board Diversity

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

Roles and Responsibilities of Directors

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

Board composition and Committees

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

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

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9	Stephen Barno	√	√	√	√
10	Eliud Kipkorir Chemaget	√			
11	Ambrose Tarus	√			

* Represents the Chairman of the Board/ Committee

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. The full Board of Directors meets at least four times a year as per the guidelines of WASREB and the Board Charter. Special Board meetings are held to deliberate on emerging issues. The decisions of the Board are collective. Below is the extract from the attendance register for Full Board meetings held in the period from 1st July 2022 to 30th June 2023

N o	Members	29/8/ 22	11/11/ 22	30/01/ 23	22/02/ 23	15/03/ 23	11/05/ 23	19/05/23	Att %
1	Andrew Chelogoi	√	√	√Š	√	√Š	√	√EOGM	100
2	Peter Chesos	√	√						29
3	Simion Kemei	√							14
4	Mahamoud Kiplagat	√	√	√Š	√	√Š	√	√EOGM	100
5	Jane Tanui	√	√	√Š	√	√Š	√		86
6	Dr. Victoria Kutto	√	√	√Š	√	√Š	√		86
7	Zipporah Cheruiyot	√	√	√Š	√	√Š	√	√EOGM	100
8	Stephen Barno		√	√Š	√				43
9	Ambrose Tarus					√Š	√	√EOGM	43
10	Eliud Chemaget					√Š	√	√EOGM	43

Š represents Special Board meetings, √AGM represents Annual General Meeting and √EOGM Extra Ordinary General Meeting

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

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and responsibilities. Below is a summary of the general functions and members' attendance of each of the committee of the Board:

i) Finance & Administration Committee

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

Member	24/8/22	04/11/22	13/02/2023	04/05/2023	% of Attendance
Jane Tanui	√*	√*	√*	√*	100
Peter Chesos	√	√			50
Mahamoud Kiplagat	√	√	√	√	100
Zipporah Cheruiyot	√	√	√	√	100
Stephen Barno			√		25

Director Stephen Barno attended the committee meeting as Acting Chief Officer

ii) Planning, Operations & Technical Committee

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

Member	22/8/2022	07/11/2022	06/02/2023	02/05/2023	% of Attendance
Simion Kemei	√				100
Dr. Victoria Kutto	√	√	√	√	100
Zipporah Cheruiyot	√*	√*	√*	√*	100
Jane Tanui	√	√	√	√	100
Stephen Barno		√	√		50

iii) Audit & Risk Management Committee

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

Member	26/08/2022	08/11/2022	15/02/2023	08/05/2023	% of Attendance
Dr. Victoria Kutto	√*	√*	√*	√*	100
Mahamoud Kiplagat	√	√	√	√	100

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Simion Kemei		√				25
Peter Chesos		√	√			50
Stephen Barno			√	√		50
Zipporah Cheruiyot			√		√	50
Eliud Kipkorir Chemaget					√	25

Terms of Board Members

Terms of the Board are outlined in the Company's Memorandum and Articles of Association. Appointed board members serve for a term of not more than three (3) years renewable once for a further term of three years. In doing so, the appointment is staggered to ensure succession planning.

Compliance to laws and other legal requirements

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

Board Remuneration

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

Conflict of interest and declaration of interest

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

Board Charter

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

Board Induction and Training

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

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Board and Member Performance

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

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: Company Outlook

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

i) ACHIEVEMENTS

Financial Performance

The Company realised an operating revenue of Kshs 754,878,830 from both billing and non-billing revenue sources. The company has deficit of Kshs 238,678,139 with a cash flow position of Kshs. 81,769,385. The collection efficiency stood at 116%.

Regulatory performance

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

Infrastructural Development

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

- a) Extended 21 kms of new water pipeline within the service area.
- b) Extended 4.3 kms of sewer line within the service area.
- c) Provided water and sewerage services without major interruptions.
- d) Mapped approximately 95% of all customer connection points on GIS for ease of identification and management of all customers for continuous update of customer database.
- e) Use of HDPE pipes for all new connections and replacements

ICT Environment

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

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

Capital Expenditure

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In the Financial 2022/23, the company incurred capital expenditure of Ksh. 783,476,298 compared to Ksh. 153,583,630 in the financial year 2021/22 comprising of the following:

a)	Elegrini Kapsoya Water Project	Kshs.656,879,132
b)	Buildings, water and sewer works	Kshs. 8,283,707
c)	Computer, Copiers	Kshs.3,173,480
d)	Meters, Equipment and Tools	Kshs.20,164,435
e)	Motor Vehicle	Kshs. 42,129,000
f)	Work in progress -	Kshs. 52,747,544

Capital projects were financed through Loan from LVNWWDA, internally generated funds, support from County Government of Uasin Gishu and from other well-wishers received in the financial year 2022/2023

Development Expenditure

The construction of Kipkaren Water Supply through funding from the African Development Bank construction works has stopped and the case is with the National Government. Design for Two-Rivers dam was completed.

i) CHALLENGES

The key challenges include the following:

Water demand

Water demand continues to outstrip supply hence necessitating the need for continuation of the water rationing programme. There is a shortage of approx.17,000m³/day in Eldoret town and its environs. This situation is further aggravated by increased infrastructural developments including construction and rehabilitation of roads, laying of fibre optic cables, and rehabilitation of storm water drains among others. These activities have caused widespread damages of water and sewerage infrastructure, thus resulting in huge losses to the company. The delay in completion of Kipkaren water project has affected the Company since the water from the water treatment plant could have alleviated the current water shortage.

Debtors

The net outstanding debts stands at Kshs 528,199,121 (water & cleansing) for the reporting period compared to Kshs 597,404,809 in the last financial year. A significant proportion of these outstanding debts relate to the standing charges. The company has a robust programme to follow up on the debts and has categorized the debtors for ease of follow up. Various other strategies have been developed including the enhancement of collection efforts, exploring more innovative approaches, bringing debt collectors on board among others. Provision for doubtful debts is Kshs. 60 million and the company has initiated the process of writing off bad debts.

Non- Revenue Water

In the period under review, NRW stood at an average of 37.8% and the company has put a lot of emphasis on it with a view of achieving the benchmark target of 25%. With the established NRW unit, and coming up with 27 number strategies, enhanced budget allocation, leak detectors purchased, disciplinary action taken on errant employees, constant raids and arrests, asset management programmes, training, inspection and surveillance of all our existing distribution lines. We have also undertaken a pilot programme on smart metering and installation of HDPE pipes in Kipkorgot,

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Annex and Elgon View zones. The Company is currently undertaking a District Metering Area (DMA) project to install 97 smart water meters so as to manage distribution of water effectively and to know where water losses occur. The project completion is 70% as at end of June 2023 and would be completed by December 2023.

Project financing

Inadequate funding to improve and rehabilitate old infrastructure and initiate new expansion development projects.

SECTION B: Obligations

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

SECTION C: Operations

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

SECTION D: Risk Management

The organisation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The company has a risk Management policy in place and has undertaken risk assessment. The major types of risks faced by the organisation are:

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

SECTION E: Loans

Eldoret Municipal Council (EMC) had borrowed Kshs 1,058 billion from KFW to finance construction of Chebara dam. This loan was not repaid by EMC and when the company was incorporated, assets and liabilities related to the department of water and sewerage were transferred. The company requested National Treasury to restructure and reschedule the outstanding loan. The request was approved on June 2020 out of which the outstanding loan was reviewed to Kshs. 372,496,364.40 alongside the repayment schedule. The outstanding loan amount is Ksh. 256,666,667. The company has the following other outstanding loans: Expansion of Chebara Treatment plant- Ksh. 279,319,644 Lessos water supply- Ksh 188,120,431 and Ellegirini/Kapsoya water supply- Ksh. 656,879,132.

SECTION F: Assurance

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

10. ENVIRONMENTAL /SUSTAINABILITY REPORTING

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

Below are brief highlights of our achievements in each pillar.

Sustainability Strategy and Profile

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

Employee Welfare

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

Environmental Performance

The Company strives to conduct its business in a way that minimises environmental impact as well as promoting positive interaction with the community in accordance with sound ethical standards. Areas of focus included environmental conservation, Health, support to sporting activities, education and

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social welfare. ELDOWAS strives towards creating a healthy environment for its staff and customers by continually encouraging planting of trees in its sites. Environmental Social and Health Impact Assessment (ESHIA) is done on all major capital projects to identify potentially significant project-related impacts is always undertaken. These include impacts to surrounding communities, natural resources, biodiversity, air quality, land use, waste management, noise and public health. The company spent Kshs. 6,178,820 to support water sources conservation.

Community Engagement

The company encourages public participation through various forums including water clinic days, online forums and Barazas. This provides an avenue that partnership and collaborations are nurtured. The company usually receives a number of CSR activities which are discussed and ratified in the Board meetings. Key among the requests are support to sporting activities, purchases of water tanks, construction of classrooms, among others. The support the company has given towards CSR activities and requests totals Kshs 5,200,959.

Market Place Practices

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

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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, 2023 which show the state of ELDOWAS affairs

Principal Activity

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

Results

The results for the year ended June 30, 2023 are shown on page 1.

Dividends

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

Directors

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

Independent Auditors

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

The Auditor General carried/will carry out the audit of ELDOWAS for the year/period ended June 30, 2023.

BY ORDER OF THE BOARD,

Signed _____

Mr. Peter Kibet Arap Biwott

Managing Director

Date: _____

15-2-2024

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Companies Act 2015 of Kenyan Law requires the Directors to prepare financial statements in respect of company which give a true and fair view of the state of affairs of company at the end of the financial year/period and the operating results of company for that year/period. The Directors are also required to ensure that company keeps proper accounting records which disclose with reasonable accuracy the financial position of company. The Directors are also responsible for safeguarding the assets of company.

The Directors are responsible for the preparation and presentation of ELDOWAS's financial statements, which give a true and fair view of the state of affairs of ELDOWAS for and as at the end of the financial year ended on June 30, 2023. This responsibility includes i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; iv) Safeguarding the assets of ELDOWAS; v) Selecting and applying appropriate accounting policies; and vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for ELDOWAS's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Company Act 2015. The Directors are of the opinion that ELDOWAS's financial statements give a true and fair view of the state of ELDOWAS's transactions during the financial year ended June 30, 2023, and of the ELDOWAS's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for ELDOWAS, which have been relied upon in the preparation of the ELDOWAS's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

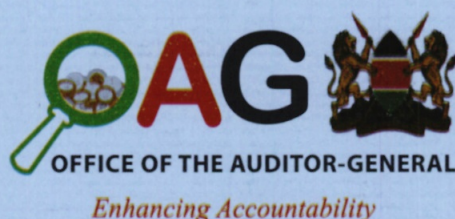
ELDOWAS's financial statements were approved by the Board on 29th September 2023 and signed on its behalf by:

Signed 
Hon David Kiptoo Singoei
Board Chairman
Date 15/2/2024

Signed 
Mr. Peter Kibet Arap Biwott
Managing Director
Date 15-2-2024

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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Eldoret Water and Sanitation Company Limited set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the

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

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 Eldoret Water and Sanitation Company Limited as at 30 June, 2023, and 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Estimated Water Bills

As previously reported, the statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.775,942,583 which included water sales amount of Kshs.529,442,608, as disclosed in Note 6(a) to the financial statements. However, analysis of the ledger provided for audit revealed that the Company issued estimated water bills totalling Kshs.15,375,589. No explanation was provided as to why the Company recognized revenues from estimated water bills contrary to IFRS 15, IFRS 18 and its significant accounting policy number 4(a)(i), which states that the Company bills its customers based on meter readings of water and sewer consumed.

In the circumstances, the validity, accuracy and completeness of water sales of Kshs.15,375,589 could not be confirmed.

2. Property, Plant and Equipment

2.1 Valuation of Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.3,196,407,678, as disclosed in Note 19 to the financial statements. However, an updated valuation report for the assets was not provided for audit review and therefore the values of the assets may not be accurate. Further, review of assets register and other documents provided for audit revealed that assets with acquisition costs of Kshs.263,590,292 had been fully depreciated but continued to be in use without any book values.

2.2 Motor Vehicles

The statement of financial position reflects property, plant and equipment balance of Kshs.3,196,407,678 which includes an amount of Kshs.41,539,439 in respect to motor vehicles and motor cycles, as disclosed in Note 19 to the financial statements. Review of two letters from Lake Victoria North Water Services Board revealed that the Board transferred ownership of two vehicles to the Company. However, the log books are still in the name of a contractor. No explanation was provided as to why the ownership documents have not been transferred to the Company.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.3,196,407,678 could not be confirmed.

3. Trade and Other Receivables

3.1 Long Outstanding Trade Receivables

As previously reported, the statement of financial position reflects net trade and other receivables balance of Kshs.522,577,514, which includes trade receivables and cleansing of Kshs.480,392,034 and Kshs.47,807,087 respectively, as disclosed in Note 24 to the financial statements. Review of the debtors' aging analysis revealed that cleansing receivables and trade receivables totalling Kshs.485,074,919 had been outstanding for over six (6) months and included an amount of Kshs.370,225,865 which had been outstanding for over four (4) years. However, there was no evidence provided of the recovery efforts and measures including legal action taken by Management.

In the circumstances, the validity, accuracy and recoverability of trade and other receivables of Kshs.485,074,919 on cleansing and trade receivables could not be confirmed.

3.2 Doubtful Recovery of Value Added Tax Refunds

As previously reported, the statement of financial position reflects trade and other receivables balance of Kshs.522,577,514 which includes Value Added Tax (VAT) refunds balance of Kshs.48,584,233, as disclosed in Note 24 to the financial statements. Examination of documents provided for audit revealed that applications for VAT refunds totalling Kshs.48,584,233 were made between April, 2011 and June, 2018 to Kenya Revenue Authority. However, as at the time of the audit in January, 2024, no refund had been received by the Company in respect of these applications. Further, no evidence was provided to show any further attempt by Management to recover these refunds from Kenya Revenue Authority.

In the circumstances, the validity, accuracy and recoverability of trade and other receivables of Kshs.48,584,233 on VAT refunds could not be confirmed.

4. Trade Creditors and Other Payables

The statement of financial position reflects trade creditors and other payables balance of Kshs.298,260,931 which includes outstanding customer rebates balance of Kshs.82,160,247, as disclosed in Note 35 to the financial statements. Review of the report prepared by Water Services Regulatory Board (WASREB) dated 15 February, 2022 revealed that there were material non-compliances with the approved tariffs leading to the Company overcharging its customers for both water and sewer services by an amount of Kshs.120,351,615. During the year under review, a total of Kshs.21,063,793 was refunded to customers through reduction in monthly bills leaving a balance of Kshs.99,287,823. However, only an amount of Kshs.103,224,000 out of the agreed amount of Kshs.120,351,615 has been recognized in the books as a liability resulting to unexplained and unreconciled balance of Kshs.17,127,615.

In the circumstances, the trade creditors and other payables amount of Kshs.82,160,247 on outstanding customer rebates could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total revenue budget and actual on comparable basis of Kshs.1,206,083,647 and Kshs.783,859,056 respectively, resulting to an under-funding of Kshs.422,224,591, or 35% of the budget. Similarly, the Company expended Kshs.1,040,415,564 against an approved budget of Kshs.1,359,583,647, resulting to under-expenditure of Kshs.319,168,083, or 23% of the budget.

The underfunding and under-expenditure affected the Company's planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Even though Management has provided explanation on the progress made on the recommendations made by the auditors, the issues remain unresolved as at 30 June, 2023, contrary to Section 149(2)(I) of the Public Finance Management Act, 2012 which require Accounting Officers for County Government and County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.775,942,583 which include water sales amount of Kshs.529,442,608, as disclosed in Note 6(a) to the financial statements. Analysis of the Company's water production and billing records revealed total water production of 14,891,969m³ but billed only 9,272,906m³, therefore, leaving a total of 5,619,063m³ un-accounted for, or 38% of the total production, translating to a loss in revenue of Kshs.357,372,406. This is contrary to WASREB guidelines which sets the acceptable level of non-revenue water at 25%.

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

2. Over Expenditure on Staff Costs

The statement of profit or loss and other comprehensive income reflects total expenses balance of Kshs.1,061,132,945 which include staff costs of Kshs.449,393,572, general and operating expenses of Kshs.308,858,258 and maintenance expenses of Kshs.74,586,539, all totalling Kshs.832,838,369. However, the staff costs constitute fifty-four percent (54%) of the costs. This is contrary to Section 3.9.10 of Water Services Regulatory Board Corporate Governance Guidelines, 2018 which states that when fixing remuneration of the staff, the total expenditure for each financial year must not exceed the benchmarks set for the services sector by nationally, so that personnel costs as share of operations and maintenance cost shall be contained within the parameter of 35% for a large company.

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

3. Irregular Payment of Acting Allowance

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.449,393,572, as disclosed in Note 12 to the financial statements. Examination of documents and payroll in support of the expenditure revealed that a staff appointed in an acting position for six (6) months, effective from 9 December, 2021 to 9 May, 2022, was still receiving acting allowance as at the end of the year under review, amounting to Kshs.162,254. This was thirteen (13) months over the allowable period of six (6) months, contrary to Section 6.5(1) of the Eldoret Water and Sanitation Company Human Resource Policy and Procedure Manual, 2021, which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he/she is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary and acting allowance will not be payable to an officer for more than six (6) months.

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

4. Non-Compliance on Staff Ethnic Composition

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.449,393,572, as disclosed in Note 12 to the financial statements. Examination of

payroll records revealed that as at 30 June, 2023 the Company's total number of permanent employees was two hundred and fifty-four (254), out of which two hundred and three (203), or approximately 80%, were from the dominant ethnic community, contrary to Section 65(1)(e) of the County Governments Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

5. Staff Earning Less Than One Third of Basic Salary

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.449,393,572, as disclosed in Note 12 to the financial statements. Examination of payroll records revealed that permanent staff ranging from 1 to 39 in a month received net salaries which were less than a third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which states that, without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Cabinet Secretary either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

6. Irregular Procurement of Water Chemicals

The statement of profit or loss and other comprehensive income reflects general and operating expenses of Kshs.308,858,258 which includes water chemicals amount of Kshs.61,310,177, as disclosed in Note 13 to the financial statements. Examination of documents provided for audit revealed that Kshs.16,443,000 was incurred on supply of water chemicals (Sodium Hypochlorite) under a contract signed on 23 June, 2022, at a contract sum of Kshs.17,681,706 and running for a period of one year from 24 June, 2022. However, review of contract records revealed that the supplier submitted a performance security dated 4 July, 2022, which was a later date after the signing of the contract. This was contrary to Section 142(1) of Public Procurement and Asset Disposal Act, 2015, which states that subject to the regulations, a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract.

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

7. Irregular Payment of Director's Retiring Send-Off Package

The statement of profit or loss and other comprehensive income reflects board expenses amount of Kshs.11,123,465, as disclosed in Note 14 to the financial statements. Examination of documents in support of the expenditure revealed that a director was paid Kshs.1,000,000 as a send-off package based on resolutions from an extra ordinary general meeting held on 23 June, 2022. In the meeting, it was resolved that retiring directors who have served for two terms be paid a send-off package of Kshs.1,000,000

and Kshs.600,000 for those who have served for one term. It was not explained why a retiring non-executive director would be paid this amount and whether such a decision should be made in an extra ordinary meeting. Further, an advisory opinion from Water Services Regulatory Board had discouraged this arrangement.

In the circumstances, the regularity of the payment of Kshs.1,000,000 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


FCPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2023

14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

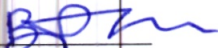
	NOTES	2023 Kshs	2022 Kshs
REVENUES			
Operating revenue	6(a)	775,942,583	836,513,411
Gain on disposal	7	503,400	
Amortization income	8	38,092,350	128,749,574
Eldoret Iten Water Fund	9	14,933,801	
Other Income	10	4,718,240	4,791,500
Finance income	11	9,328,185	10,659,585
Total Revenues		843,518,559	980,714,070
EXPENSES			
Staff Costs	12	449,393,572	386,340,982
General and Operating Expenses	13	308,858,258	324,414,483
Board Expenses	14	11,123,465	15,502,098
Maintenance Expenses	15	74,586,539	68,089,569
Eldoret Iten Water Fund	16	5,713,670	
Depreciation and Amortization expenses	17	181,575,866	150,340,100
Finance costs	18	29,881,575	17,545,885
Total expenses		1,061,132,945	962,233,117
Surplus/Deficit		(217,614,386)	18,480,953

Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

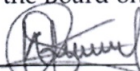
ASSETS	Notes	2023	2022
		Kshs	Kshs
Non-current Assets			
Property/Plant & Equipment	19	3,196,407,678	2,594,206,911
Intangible Assets	20	221	300,554
Biological Assets	21	66,578,117	66,578,117
Investments- Treasury bills	22	57,000,000	57,000,000
Total Non-Current Assets		3,319,986,016	2,718,085,582
Current assets			
Inventories	23	112,067,642	49,798,871
Trade and other Receivables	24	522,577,514	596,060,717
Cash & bank balances	25	81,769,385	229,523,323
Total Current Assets		716,414,541	875,382,911
Total Non-Current Assets/Current Assets		4,036,400,557	3,593,468,493
EQUITY			
Capital and Reserves			
Share capital	26	100,000	100,000
Retained Earning	40	1,247,290,694	1,382,041,576
Capital and Reserves		1,247,390,694	1,382,141,576
Capital fund			
KFW grant for sanitation project	27	651,960,257	681,417,970
Grant National Housing	28	125,444,726	129,134,276
Grant Water Trust Fund	29	48,043,103	49,601,256
Grant Uasin Gishu County	30	176,073,265	106,184,336
		1,001,521,351	966,337,838
NON-CURRENT LIABILITIES			
County Government of Uasin Gishu (Borrowing)	31	256,666,667	280,000,000
Expansion of Chebara Water Works Loans	32	279,319,643	285,733,550
Kesses/ Lessos Augmentation Works Loans	33	188,120,431	192,634,510
Elegrini/Kapsoya Water Project Loans	34	656,879,132	-
Total Non-current Liabilities		1,380,985,873	758,368,060
Current liabilities			
Trade creditors & other payables	35	298,260,931	384,370,035
Customer Deposits	36	106,222,730	99,485,670
Provision for liabilities & other charges	37	2,018,977	2,765,312
Total Current liabilities		406,502,638	486,621,017
TOTAL EQUITY AND LIABILITIES		4,036,400,557	3,593,468,491

The financial statements were approved by the Board on 29th September, 2023 and signed on its behalf by:

Signed 

Peter Kibet Arap Biwott
Managing Director

Date 15/2/2024

Signed 

CPA, CS Wesley Kiprono (ICPAK M/N 13712)
General Manager Financial Services

Date 15/02/24

Signed 

Hon. David Kiptoo Singoei
Board Chairman

Date 15/2/2024

Eldoret Water and Sanitation Company Limited
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16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF CHANGES IN EQUITY				
	Share Capital Kshs.	Retained Earnings Kshs.	Capital/ Devt Grants Kshs.	Total Kshs.
At the beginning of the year 01/07/2021	100,000	1,333,596,336	993,512,178	2,327,208,514
Surplus for the year		18,480,953		18,480,953
Grants received during the year (CGUG)			10,700,000	10,700,000
Valuation of biological assets		29,964,287		29,964,287
Amortization Income			(37,874,339)	(37,874,339)
At the end of the year 30/06/2022	100,000	1,382,041,576	966,337,839	2,348,479,415
At the beginning of the year 01/07/2022	100,000	1,382,041,576	966,337,839	2,348,479,415
Deficit for the year		(217,614,386)		(217,614,386)
Grants received during the year (CGUG)			73,275,862	73,275,862
Amendment of lease fees		186,087,504		186,087,504
Customer rebates		(21,063,753)		(21,063,753)
Outstanding rebates		(82,160,247)		(82,160,247)
At the end of the year 30/06/2023	100,000	1,247,290,694	1,039,613,701	2,287,004,395

- 1) Statement of Change of Equity incorporates Kshs. 186,087,504 in relation to resolution of amendment of payments of lease fees agreement as approved by County Government of Uasin Gishu.
- 2) The company initiated the implementation of customer rebates, with Kshs. 21,063,753 already processed and necessary adjustment reflected in the Statement of changes in equity. The remaining balance, amounting to Kshs. 82,160,247 as of June 30, 2023, has been duly recognized under trade and other payables and reflected in the Statement of changes in Equity.

Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2023

17. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2022-23 Kshs	2021-2022 Kshs
Cash Flows From Operating Activities			
Operating Revenue		857,191,480	895,293,430
Finance Income	11	9,328,185	10,659,585
Grants		40,184,104	93,948,809
Total Receipts		906,703,769	999,901,824
Payments			
Staff Costs		449,236,496	386,340,982
Board Expenses		11,123,465	15,502,098
Other payments/development		594,097,747	627,107,642
Total Payments		1,054,457,708	1,028,950,722
Net Cash From/(Used In) Operating Activities		(147,753,939)	(29,048,898)
Increase/(Decrease) In Cash And Cash Equivalents		(147,753,939)	(29,048,898)
Cash And Cash Equivalents At Beginning Of Year		229,523,323	258,572,221
Cash And Cash Equivalents At End Of The Year	25	81,769,385	229,523,323

Eldoret Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2023

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget 2022-23	Adjustment 2022-23	Final Budget 2022-23	Actuals 2022-23	Performance Difference 2022-23	% of utilization 2022-23
REVENUES						
Operating revenue	1,012,622,103	(123,638,456)	888,983,647	754,878,830	134,104,817	85%
Eldoret Iten Water Fund			10,000,000	14,933,801	(4,933,801)	149%
Other Income	166,960,000	(58,860,000)	168,100,000	4,718,240	163,381,760	3%
Finance income	10,000,000	(1,000,000)	9,000,000	9,328,185	(328,185)	104%
	1,189,582,103	(183,498,456)	1,076,083,647	783,859,056	292,224,591	73%
Chebara Augumentation	550,000,000	(550,000,000)	-	-	-	-
External Financing		130,000,000	130,000,000		130,000,000	0%
TOTAL REVENUES	1,739,582,103	(603,498,456)	1,206,083,647	783,859,056	422,224,591	65%
EXPENSES						
Staff Costs	428,242,754	31,813,872	460,056,626	449,393,572	10,663,054	98%
General and Operating Expenses	443,997,550	(88,502,895)	355,494,655	308,858,258	46,636,397	87%
Eldoret Iten Water Fund			10,000,000	5,713,670	4,286,330	57%
Board Expenses	12,000,000	-	12,000,000	11,123,465	876,535	93%
Maintenance Expenses	127,948,731	(45,112,664)	82,836,067	74,586,539	8,249,528	90%
Finance cost & Loan principal	87,949,966	(4,714,728)	83,235,238	64,142,894	19,092,344	77%
TOTAL EXPENSES	1,100,139,001	(106,516,415)	1,003,622,586	913,818,398	89,804,188	91%
Capital Expenditure	149,443,103	206,517,958	355,961,061	126,597,166	229,363,895	36%
Staff Welfare	140,000,000	(140,000,000)				
Chebara Augumentation	550,000,000	(550,000,000)	-	-	-	-
TOTAL EXPENDITURE	1,939,582,104	(589,998,457)	1,359,583,647	1,040,415,564	319,168,083	77%
RECONCILIATION						
Total Revenue	1,739,582,103	(603,498,456)	1,206,083,647	783,859,056	422,224,591	
Gain on disposal			3,000,000	503,400	2,496,600	17%
Grant income	-	-	-	38,092,350	(38,092,350)	
Arrears	200,000,000	(50,000,000)	150,000,000		150,000,000	
TOTAL REVENUES	1,939,582,103	(653,498,456)	1,359,083,647	822,454,806	536,628,841	61%
TOTAL EXPENDITURE	1,939,582,104	(589,998,457)	1,359,583,647	1,040,415,564	319,168,083	
Depreciation and Amortization expenses	-		-	181,575,866	(181,575,866)	
TOTAL EXPENDITURE	1,939,582,104	(589,998,457)	1,359,583,647	1,221,991,430	137,592,217	90%

Notes

The variance in the budget and actual amounts was caused by the following reasons:

1. Non-achievement of Budget assumption on NRW which stood at 38% against 35% used during budgeteintg of revenue which had direct impact on the Income realization and subsequently impacting the expenditure levels.
2. Non-achievement on VAT vefunds, sales of biological assets (Affected by government regulations) and resource mobilization

The changes between original budget and final budget was as result of;

- a) Non achievement of additional production of 16,000M³ per day from new source Kipkaren dam which is not yet complete
- b) Chebara water pipeline augumentation of Kshs. 550,000,000 which was shelved for the company to pursue other financing options including from potential donors.
- c) Adjustment of arrears collection from Kshs. 200,000,000 to Kshs. 150,000,000
- d) Introduction of community water projects of Kshs. 130,000,000 from external financing

Reconciliation between statement of profit or loss and other comprehensive income

On the expenditure amount, principal loans amount of Kshs.34, 261,319 and Capital expenditure of Kshs.126, 597,166 are the reconciling items.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Eldoret Water and Sanitation Company Limited (ELDOWAS) was incorporated in October 1997 under Companies act 2015 Laws of Kenya. It started operations in the year 2000. The County Government of Uasin Gishu is the principal shareholder. Under the Water Act 2016, ELDOWAS carries out its functions as a Water Services provider under the license provided by Water Sector Regulatory Board (WASREB). The principal activity of the Company is to provide Water and Sewerage Services within Eldoret Municipality and its immediate environs in Uasin Gishu County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The assets (PPE) have been recognized using the cost model, with assets being carried at historical cost less accumulated depreciation except for the measurement at re-valued amounts of certain items including marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarial determined liabilities at their present value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

They have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act of 2012, companies Act 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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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 effective in the year ended 30 June 2023

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

(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

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significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows...

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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Title	Description	Effective Date
	least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	

(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).

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022/2023

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is 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.

a) **Revenue from the sale of goods and services** is recognized in the year in which ELDOWAS delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Revenue is recognized in the month in which the ELDOWAS bills its customer based on meter readings of water and sewer consumed

b) **Grants from National Government** are recognised 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.

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

Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.

ii) **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant 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 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.

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	8 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	8 years

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount. Equity investments are stated at cost less provision for any permanent diminution in value. Currently ELDOWAS has Treasury bills.

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 on derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant 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 consolidated statement of financial position.

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. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Taxation

Current income tax

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

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

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

Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies

Deferred Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

c) Cash and cash equivalents

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

Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including

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premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

Trade and other payables

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

Retirement benefit obligations

The entity operates a defined contribution and defined benefit scheme for all full-time employees. The scheme is administered by Local Authorities Pension Trust (LAPTRUST) and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month.

Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Budget information

The original budget for FY 2022-2023 was approved by the Board and subsequently forwarded to the County Treasury on 12th May 2022. 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 entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

Comparative figures

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

i)

Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

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5. Significant Judgments and Sources of Estimation Uncertainty

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

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

Name	2022/2023 (Kshs.)	2021/2022 (Kshs.)
Board allowances and Honoraria	11,123,465	13,521,520
Key Management allowances	23,618,725	18,723,387
Total	34,742,190	32,244,907

The judgments, estimates and assumptions include:

NOTES TO THE FINANCIAL STATEMENTS (Continues)

Estimates and assumptions

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

Useful lives and residual values

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

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

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. The provisions include provision for bad debts, provisions of obsolete stocks estimated as per the standard requirements.

6. Related Party Disclosures

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

The company is one of the Water Service Provider under North Rift Water Works Development Agencies (NRWWDA). NRWWDA is expected to provide infrastructural development. The company is also owned 100% by the County Government of Uasin Gishu and has a representation of 2 (Two) out of 8 (Eight) Directors in the Board

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NOTES TO THE FINANCIAL STATEMENTS

	2023	2022
	Kshs	Kshs
6(a) Operating revenue		
Water Sales	529,442,608	589,621,022
Sewerage services	195,787,671	204,276,349
Billing for other services 6(b)	50,712,304	42,616,040
Total	775,942,583	836,513,411
	2023	2022
	Kshs	Kshs
Billing for other services		
6(b)		
Turn on Fees	6,302,503	5,708,860
Reconnection Fees	12,775,200	14,508,800
Penalty/Surcharge	6,487,337	2,652,750
Estimate of new connection	9,862,606	5,578,008
Sewer Connection Charges	2,626,732	2,251,180
Sale of sludge	30,780	65,000
Blockage Charges	845,000	843,000
Meter Testing	181,650	220,255
Hire of Machinery/Vehicles	7,022,097	8,481,258
Water Sampling/Tests	3,287,046	1,412,155
Sale Of Stores	1,291,353	894,774
Total	50,712,304	42,616,040
	2023	2022
	Kshs	Kshs
6(c) Rebates		
Water Sales rebates	17,761,825	-
Sewerage services rebates	3,301,928	-
Total	21,063,753	-
	2023	2022
	Kshs	Kshs
7 Gain on Disposal		
Sales	503,400	
Total	503,400	-
	2023	2022
	Kshs	Kshs
8 Grant/Amortization income		
WSTF - CLSG grant		83,248,809
Amortization Income	38,092,350	37,874,339
In Kind donation (water chemical)		7,626,426
Total	38,092,350	128,749,574
	2023	2022
	Kshs	Kshs
9 Eldoret Iten Water Fund		
Amount received	14,933,801	
Total	14,933,801	-

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	2023	2022
	Kshs	Kshs
10 Other income		
House Rent Income a/c	2,240,000	745,100
other income	1,564,688	4,046,400
other income	913,552	
Total	4,718,240	4,791,500
	2023	2022
	Kshs	Kshs
11 Finance income		
Interest from treasury bills	4,737,586	3,810,295
interest from commercial banks & financial institutions	4,505,528	6,759,319
Commission	85,072	89,971
Total	9,328,185	10,659,585
	2023	2022
	Kshs	Kshs
12 Staff Costs		
Gross Salary and Allowances	286,001,957	250,780,023
Casual workers' Wages	85,959,788	46,734,644
Medical insurance schemes	23,875,450	32,894,317
Employer's contributions to social security schemes	2,518,107	780,800
Employer's contributions to pension scheme	34,895,411	31,708,039
Gratuity	5,871,946	2,837,000
Staff welfare		197,165
Other allowances	10,270,913	20,408,994
Total	449,393,572	386,340,982
The average number of employees 374 during the year		
	2023	2022
	Kshs	Kshs
13 General and Operating Expenses		
TRAINING COSTS	7,681,341	10,723,532
BUSINESS TRAVEL	18,063,795	20,526,727
OVERNIGHT ALLOWANCE	11,439,538	11,980,750
LICENCES	4,386,183	2,441,556
ELECTRICITY	17,196,208	16,100,396
TELEPHONE	8,861,458	7,636,891
POSTAGE	3,191,783	3,501,412
WASREB FEES	28,167,502	34,477,624
WARMA	12,263,956	12,273,613
LAB CHARGES & REAGENTS	3,537,345	4,181,291
WATER & SEWERAGE	4,493,145	6,613,125
GENERAL INSURANCE	5,920,980	3,325,362
SECURITY SERVICES	21,254,575	14,608,683
PRO POOR	2,013,013	3,376,187
RATES	267,200	62,800
STATIONERY	3,380,125	2,232,079

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ADVERT & PUBLIC RELATION	11,113,873	8,102,351
SUBSCRIPTIONS	2,523,419	1,637,373
BANK CHARGES	2,053,260	2,020,642
AUDIT FEES	348,000	348,000
PROFESSIONAL FEES	6,963,181	3,693,104
FUNCTION/CELEBRATION	3,244,824	3,008,274
OTHER OFFICE EXPENSES	4,647,085	4,022,524
WATER CHEMICALS	61,310,177	43,338,736
UNIFORMS	3,204,739	3,056,328
FUEL/OIL/LUBRICANTS	17,960,413	15,793,005
CLEANING & LAUNDRY MATERIAL	5,324,823	5,867,181
HIV/AIDS PROGRAMME	117,100	84,290
RENT AREA OFFICES	4,182,739	4,338,133
SPORTS	5,915,919	6,141,819
CSR ACTIVITIES	5,200,959	28,766,570
ISO ACTIVITIES	1,362,532	2,692,407
LEGAL COSTS	822,850	4,182,987
NRW ACTIVITIES	12,297,429	18,426,112
TAX ASSESSMENTS AND PENALTIES	144,660	5,573
STAKEHOLDERS ENGAGEMENT	1,104,740	2,685,610
TOOLS	718,569	1,116,072
COSERV. OF WATER RESOURCES	6,178,820	11,025,364
Total	308,858,258	324,414,483
	2023	2022
14 Board Expenses	Kshs	Kshs
Chairman Honoraria	882,755	1,044,000
Sitting Allowances	6,416,000	6,110,000
Induction & Training	1,663,500	799,920
Travel & Accommodation	450,210	2,375,700
Others allowances	1,711,000	5,172,478
Total	11,123,465	15,502,098
	2023	2022
15 Maintenance Expenses	Kshs	Kshs
BUILDING MAINTENANCE	6,485,749	10,400,716
GROUNDS MAINTENANCE	658,100	4,205,640
PLANT & MACHINERY MAINT.	8,325,408	12,474,271
METER MAINTENANCE	5,744,257	5,865,440
MAINT. OFFICE EQUIP.	2,118,025	606,292
OFFI FURN. REPAIRS	176,638	62,150
VEHICLE REPAIR& MAINT.	6,980,297	5,370,592
REPAIR PARTS & MATERIAL	42,423,153	28,640,261
ACCESS ROAD MAINT.	1,674,912	464,207
Total	74,586,539	68,089,569

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	2023 Kshs	2022 Kshs
16 Eldoret Iten Water Fund		
Eldoret Iten Water Fund	5,713,670	
Total	5,713,670	-
17 Depreciation and Amortization expenses	2023 Kshs	2022 Kshs
DEPRECIATION	181,275,533	149,678,048
Amortization of intangible	300,333	662,052
Total	181,575,866	150,340,100
18 Finance Costs	2023 Kshs	2022 Kshs
KWF Loan for Eldoret Water Phase II	6,854,167	7,437,500
Expansion of Chebara Treatment plant	5,804,585	5,932,863
Kesses/Lessos Treatment plant	4,085,241	4,175,522
Elegrini-Kapsoya Water Project Loans	13,137,582	
Total	29,881,575	17,545,885

19 Non-Current Assets

Non-Current Assets	Land	Buildings, Water & Sewer Works	Computers, Copies & Faxes	Motor Vehicles and Motor cycles	Meters, Equipments, Furniture & Tools	work in Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1st July, 2021	132,505,455	3,386,586,951	47,080,746	98,919,751	390,494,480	111,312,166	4,166,899,549
Transferred Company		111,312,166				(111,312,166)	-
Additions – Company		47,006,480	4,426,720	8,185,000	51,119,368		110,737,567
Additions - County/others		34,327,833					34,327,833
Work in Progress-Company						8,518,229	8,518,229
At 30th June, 2022	132,505,455	3,579,233,430	51,507,466	107,104,751	441,613,848	8,518,229	4,320,483,179
DEPRECIATION:							-
At 1st July, 2021		1,229,486,404	45,671,211	71,738,711	229,701,894	-	1,576,598,220
Depreciation 21/22		93,434,816	2,348,341	15,468,488	38,426,403		149,678,048
At 30th June, 2022		- 1,322,921,220	48,019,552	87,207,199	268,128,297	-	1,726,276,268
NET BOOK VALUE:	132,505,455	2,256,312,210	3,487,915	19,897,552	173,485,551	8,518,229	2,594,206,911
At 1st July, 2022	132,505,455	3,579,233,430	51,507,466	107,104,751	441,613,848	8,518,229	4,320,483,179
Transferred County		491,099				(491,099)	-
Additions – Company		660,302,675	3,173,480	42,129,000	20,164,435		725,769,590

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Additions – County		4,959,164					4,959,164
Disposal		(448,050)	(2,463,897)	(8,100,000)			(11,011,947)
Work in progress						52,747,544	52,747,544
At 30th June, 2023	132,505,455	4,244,986,368	54,232,896	146,769,854	453,678,283	60,774,674	5,092,947,530
DEPRECIATION:							
At 1st July, 2022	-	1,322,921,220	48,019,552	87,207,199	268,128,297	-	1,726,276,268
Disposal			(448,050)	(2,463,897)	(8,100,000)		(11,011,947)
Depreciation 22/23		120,064,933	3,070,168	20,487,113	37,653,317		181,275,531
At 30th June, 2023	-	1,442,986,153	50,641,670	105,230,415	297,681,614	-	1,896,539,852
NET BOOK VALUE 06 2023:	132,505,455	2,802,000,215	3,591,227	41,539,439	155,996,669	60,774,674	3,196,407,678
NET BOOK VALUE 06 2022:	132,505,455	2,256,312,210	3,487,915	19,897,552	173,485,551	8,518,229	2,594,206,911

Additional assets of Kshs.660,302,675 includes Ellegrini- Kapsoya water project done by LVNWWDA at cost of Kshs. 656,879,132.

Non-current Assets totalling Kshs 263,590,292 had been fully depreciated by the end of the financial year 2022/23.

The breakdown of cost is as shown below:

Class of the asset	Cost/ Valuation (Kshs)
Buildings, Water and Sewer Works	8,158,045
Computers, Copiers and Faxes	45,022,393
Motor Vehicles & Motor Cycles	64,821,403
Meters Equipment Furniture & Tools	145,588,451
Total	263,590,292

	2023 Kshs	2022 Kshs
20 Intangible Assets		
Cost	19,392,903	19,392,903
Additional		-
Accumulated amortization	(19,092,349)	(18,430,297)
Less Amortization	(300,333)	(662,052)
Net Book Value	221	300,554

	2023 Kshs	2022 Kshs
21 Biological Assets		
Fair value at the beginning of the year	66,578,117	36,613,830
Additional at cost	-	-
Fair value arising from physical changed		29,964,287
Fair value at the end of the year	66,578,117	66,578,117

	2023 Kshs	2022 Kshs
22 Investments		

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	Treasury bills	57,000,000	57,000,000
		57,000,000	57,000,000
		2023	2022
23	Inventories	Kshs	Kshs
	General stores	5,161,547	3,011,070
	Stationery	1,631,349	1,732,729
	Electrical items	507,097	1,014,859
	Water fittings and chemicals	55,612,199	44,040,213
	Laboratory items	55,450	-
	County Pipes and Fittings	49,100,000	-
		112,067,642	49,798,871
		2023	2022
24	Trade and other Receivables	Kshs	Kshs
	Trade receivables	480,392,034	510,394,830
	Cleansing	47,807,087	87,009,979
	Less provision for doubtful debts	(63,290,623)	(60,000,000)
	Net Trade receivables	464,908,498	537,404,809
	Add: Debtors General	1,531,741	2,654,480
	Contracted staff & casuals	83,050	
	Vat Refunds	48,584,233	48,584,233
	Utilities Deposits	7,160,100	7,146,100
	other advances	309,892	271,095
	Total Receivables	522,577,514	596,060,717
		2023	2022
25	Cash and bank balances	Kshs	Kshs
	Standard chartered Bank Kenya Ltd		
	Collection account	8,912,630	5,215,841
	Operation account	8,504,839	14,891
		17,417,469	5,230,732
	KCB Accounts		
	Loan Repayment	2,749,673	43,425,045
	Customer Deposit	779,820	43,787,590
	Customer Collection	88,472	2,168,385
	KCB Fixed Deposit		-
	Equity Bank	449,265	4,414,016
	Family Bank	9,177,631	20,091,286
	Family Bank CLSG	68	1,402
	Family Bank Collection	50,359	3,498,028
	Family Bank on call deposit	50,000,000	105,312,500
	M-Pesa	1,006,628	1,427,324
	Airtel Money		117,015
	Petty cash	50,000	50,000
		81,769,385	229,523,323
		2023	2022

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	Kshs	Kshs
26 Share capital	100,000	100,000
Authorized, issued and fully paid		
5,000 shares of Ksh 20/- each	100,000	100,000
	2023	2022
27 KFW grant for sanitation project	Kshs	Kshs
Balance B/F	681,417,970	710,875,682
less Amortization for the Year	(29,457,713)	(29,457,712)
Balance C/F	651,960,257	681,417,970

This grant was for rehabilitation of quarry treatment works, extension of sewer networks and construction of new sewerage treatment at kipkenyo. The company has been amortizing this grant every year

	2023	2022
	Kshs	Kshs
28 Grant National Housing		
Balance B/F	129,134,276	132,823,827
less Amortization for the Year	(3,689,550)	(3,689,551)
Balance C/F	125,444,726	129,134,276

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

	2023	2022
	Kshs	Kshs
29 Grant Water Trust Fund		
Balance B/F	49,601,256	51,159,410
Grants received during the year	-	-
less Amortization for the Year	(1,558,153)	(1,558,154)
Balance C/F	48,043,103	49,601,256

These are grants from Water Trust Fund to provided Water and Sanitation Services in informal settlement schemes within Eldoret Municipality. The 1st Call was received in 2009 and the company has been receiving funds upto 5th call by end of 30th June 2014

	2023	2022
	Kshs	Kshs
30 Grant from County Government of Uasin Gishu		
Balance B/F	106,184,336	98,653,259
Grants received during the year	73,275,862	10,700,000
less Amortization for the Year	(3,386,933)	(3,168,923)
Balance C/F	176,073,265	106,184,336

The company received the Grant from County Government of Uasin Gishu to Improve water networks

	2023	2022
	Kshs	Kshs
31 County Government of Uasin Gishu (Borrowing)		
Loans	280,000,000	303,333,333

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	Principal paid	(23,333,333)	(23,333,333)
		256,666,667	280,000,000
		2023	2022
32	Expansion of chebara Water Works Loans	Kshs	Kshs
	Loans	285,733,550	292,147,457
	Principal paid	(6,413,907)	(6,413,907)
		279,319,643	285,733,550
		2023	2022
33	Kesses/ Lessos Augmentation Works Loans	Kshs	Kshs
	Loans	192,634,510	197,148,589
	Principal paid	(4,514,079)	(4,514,079)
		188,120,431	192,634,510
		2023	2022
34	Elegrini-Kapsoya Water Project Loans	Kshs	Kshs
	Loans	656,879,132	
	Principal paid	-	
		656,879,132	
		2023	2022
35	Trade and other payables	Kshs	Kshs
	Trade	71,058,427	61,273,116
	Payroll	0	(7,571)
	Cleansing charges	98,438,989	87,009,979
	Accrued expenses payable	31,661,052	220,636,018
	Advance payments	14,942,216	15,458,493
	Outstanding customer rebates	82,160,247	
		298,260,931	384,370,035
		2023	2022
36	Customer deposits	Kshs	Kshs
	Balance B/f	99,485,670	93,665,513
	Additions	6,737,060	5,820,157
	Balance c/f	106,222,730	99,485,670
	These are deposits received from customers pursuant to water supply agreements.		
37	Provisions	Kshs	Kshs
	Audit fees	348,000	696,000
	Vat withholding	1,670,977	2,069,312
		2,018,977	2,765,312
		2023	2022
38	Transactions with related parties	Kshs	Kshs
	a) Sales to related parties		
	Sales to County Government Uasin Gishu	65,659,166	55,116,997

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		65,659,166	55,116,997
		2023	2022
		Kshs	Kshs
b) Grants from County Government Uasin Gishu		73,275,862	10,700,000
		73,275,862	10,700,000
		2023	2022
		Kshs	Kshs
c) Key Management Compensation			
Board allowances and Honoraria		11,123,465	15,502,098
Key Management allowance		23,618,725	25,733,781
		34,742,190	41,235,879
		2023	2022
		Kshs	Kshs
39(a) Contingent Asset			
Grant receivable from CGUG		-	10,700,000
Total		-	10,700,000
		2023	2022
		Kshs	Kshs
39(b) Contingent Liabilities			
Court cases against the Company		11,600,000	
Bank guarantees in favour of WASREB		5,500,000	5,500,000
Total		17,100,000	5,500,000
		2023	2022
		Kshs	Kshs
40 Retained Earning			
Opening Balance		1,382,041,576	1,333,596,336
Surplus/Deficit		(238,678,139)	18,480,953
Valuation of biological assets		0	29,964,287
Adjustment of Lease Fees		186,087,504	
Customer Rebates		(103,224,000)	
Closing Balance		1,247,290,694	1,382,041,576

Note: The retained earnings is ploughed back to mainly facilitate completion of the work-in-progress (WIP) development projects and clearing of the pending commitments.

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41 Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risk. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(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. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs
At 30 June 2023		
Receivables from customer transactions	464,908,498	464,908,498
Bank balances	81,769,385	81,769,385
Total	546,677,883	546,677,883
At 30 June 2022		
Receivables from customer transactions	537,404,809	537,404,809
Bank balances	229,523,323	229,523,323
Total	766,928,132	766,928,132

(NB: The totals column should tie to the individual elements of credit risk disclosed in the company's statement of financial position)

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ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's Board of Directors Directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity 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.

	Current	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	47,504,464	16,523,197	7,030,766	71,058,427
Total	47,504,464	16,523,197	7,030,766	71,058,427
At 30 June 2022				
Trade payables	40,638,991	17,968,958	2,665,167	61,273,116
Total	40,638,991	17,968,958	2,665,167	61,273,116

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 Internal Audit Department 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.

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

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20. APPENDICES (A): ON-GOING PROJECTS (WORK-IN-PROGRESS)

NO.	PROJECT	ESTIMATED BUDGET	EXPENDED AMOUNT AS AT 30 JUNE 2023 (Kshs)	SOURCE OF FUNDING
1	Langas Phase3 Sewer		11,416,356	County
2	Naiberi Water Project		3,923,101	Company
3	Willow Tree Water Pipeline Extension		2,323,082	Company
4	Bulut Water Pipeline Extension		2,703,111	Company
5	Chemaluk Water Pipeline Extension		2,661,809	Company
6	Subaru Sewerline Extension		4,018,243	Company
7	Construction & Repair of Water Chambers		8,585,250	Company
8	Bulk Water Meter Project (DMAs)		22,337,898	Company
9	Shayona Sport club (Materials)		2,805,824	Company
	Total		60,774,674	

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(B): PROGRESS ON THE REPORT OF THE AUDITOR GENERAL ON THE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

Reference No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timeframe								
A) Basis for Qualified Opinion												
1.1	1.0 Trade and Other Receivable 1.1 Long Outstanding Trade Receivables The statement of financial position reflects trade and other receivables balance of Kshs.596,060,717 which includes trade receivables amount of Kshs.510,394,830 and cleansing amount of Kshs.87,009,979 as disclosed in Note 21 to the financial statements. However, review of the debtors’ aging analysis revealed that a total of Kshs. 529,379,701 has been outstanding for over six (6) months, and no clear recovery measures are in place.	ELDOWAS has engaged a team of debt collectors who are assigned long outstanding debts (over one year) which also includes terminated accounts. During the year under review the team collected Sh. Sh.47,156,842.00. Trade receivables have witnessed reduction from a figure of Ksh. 580,955,796 in 2019/2020 to Ksh. 552,236,195 in 2020/2021 and Ksh. 510,394,830 in 2021/2022. The big reduction in the trade receivables have been achieved by putting the following measures; a) Team leaders in all departments were assigned a list of accounts in arrears to follow. b) Engagement of various debt collection methodologies including auctioneers, institutional debt collectors, and also credit reference bureaus as a mechanism to enhance debt collection. c) No of disconnection team increased and meter-readers to fall back after reading to assist the disconnection team effective January, 2023 d) Debt collectors engaged to follow on debts in terminated and inactive accounts that are more than one-year-old.	Resolved	30/06/23								
1.2	1.2 Outstanding Debts by Terminated Accounts Included in Kshs.596,060,717 is Kshs.12,766,397 owed by customers whose accounts had been terminated. In the circumstances, the accuracy, completeness and recoverability of the trade receivable amount of Kshs.596,060,717 as at 30th June 2022 could not be confirmed.	Concerning the terminated accounts with a balance totaling to Ks. 12,766,397. Terminated accounts balance trend: <table><tr><td>Year</td><td>Amount (Kshs)</td></tr><tr><td>2019 /2020</td><td>16,524,326.83</td></tr><tr><td>2020/2021</td><td>14, 395, 442.72</td></tr><tr><td>2021/2022</td><td>12,766,397.00</td></tr></table> This is an indicator that the balances in terminated accounts have been reducing. This has been managed through; 1. Change of billing system which does not allow any account to be closed with an outstanding balance effected in April, 2017.	Year	Amount (Kshs)	2019 /2020	16,524,326.83	2020/2021	14, 395, 442.72	2021/2022	12,766,397.00	Resolved	30/06/23
Year	Amount (Kshs)											
2019 /2020	16,524,326.83											
2020/2021	14, 395, 442.72											
2021/2022	12,766,397.00											

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Reference No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timeframe
		2. Engagement of debt collectors who are working on historical balances in terminated and inactive accounts. 3. We have mitigated further accruals through ensuring all new contracts are done with the landlords and not the tenants. The company will consider offsetting outstanding bills on terminated account with customer deposit totaling Kshs. 7,668,252 to reduce the debts		
2.0	2.0 Doubtful Recovery of VAT Refunds The statement of financial position reflects trade and other receivables balance of Kshs.596,060,717 which includes VAT refunds amount of Kshs.48,584,233 as disclosed in Note 21 to the financial statements. Examination of documents provided for audit revealed the applications for VAT refunds were made between April, 2011 and June, 2018 to Kenya Revenue Authority. However, as at the time of audit, no refund had been received by the Company in respect of these applications. In the circumstances, the recoverability of the VAT refunds amount of Kshs. 48,584,233 could not be confirmed.	The company has been pursuing VAT refund from KRA. This was necessitated by the fact that water (natural resource) was Zero-rated all along until July 2018 when it changed to exempt supplies status and no-longer qualified for refund. The outstanding VAT refund claim for the period April 2011 to June 2018 totaling Kshs. 93,338,335 in June 2019 has since reduced to Kshs. 48,584,233 as at 30th June 2022. The company has done a lot of efforts in view of getting the outstanding VAT refunds from KRA including making follow up visits to KRA and even engaging tax consultant. Following a recent visit to the VAT refund office in Nairobi, the status was noted as follows 1. A claim of April to June 2011 amounting to Kshs. 4,224,803 had been referred to KRA Eldoret office for verification and have not given their report to head office. The company is following for another appointment with relevant office. 2. The claims of July to September 2012 amounting to Kshs. 2,567,939 and April to June 2013 Kshs. 1,453,362 with respective analysis schedules for output and inputs prepared and are under processing at KRA MST department. 3. The claims of January 2014 to September 2015 amounting to Kshs. 29,069,099 with respective analysis schedules for output and inputs prepared with the auditors return and confirmed company bank details are at KRA MST department and follow up is being made. 4. The claims of January 2018 to June 2018 amounting to Kshs. 11,269,030 with respective analysis schedules for output and inputs prepared with the auditors' certificate and return for the claim and follow up is being made.	Resolved	30/06/23
3.0	3.0 Outstanding Temporary Imprests	The management team has taken several steps to address the issue of outstanding imprest. From the	Resolved	30/06/23

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Reference No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timeframe
	The statement of financial position reflects trade and other receivables balance of Kshs.596,060,717 which includes debtors general amount of Kshs.2,654,480. Scrutiny of the records provided to support the balance revealed outstanding temporary imprests of Kshs.1,491,327 which were long overdue. No evidence of action taken by Management to recover the imprests was provided. In the circumstance, the accuracy, completeness and recoverability of the long outstanding imprest balance of Kshs.1,491,327 as at 30th June 2022 could not be confirmed.	interventions applied, the amount has significantly reduced to Ksh. Kshs. 225,116 as at 22nd March 2023. However, we are aware that this is an ongoing process and will continue to monitor and implement new strategies as necessary to further improve the situation. Here are some the steps we have taken: 1. Recovery from payroll of the outstanding amounts 2. Blocking of issuing new imprest until outstanding imprest is accounted for/surrendered. 3. Follow-Ups and Reminders: Our finance department regularly follows up with staff members who have outstanding imprest amounts and sends reminders to prompt them to settle their debts. This has helped to reduce the amount of outstanding imprest and ensure that it is accounted for in a timely manner. 4. Regular Reconciliations: Our finance department has established a regular reconciliation process to ensure that all imprest transactions are properly accounted for and reconciled. This has helped us to identify any outstanding amounts and take action to recover them in a timely manner. 5. Improved Record-Keeping: We have implemented a more robust system for tracking imprest transactions and ensuring that all amounts are accurately recorded. This has helped us to identify and rectify any discrepancies more quickly and effectively. 6. In addition, we have also increased communication with employees through issuing of reminder memos about the importance of timely surrender of imprest and the consequences. We believe that these efforts have made a significant impact in reducing the amount of long outstanding imprest and ensuring that it is accounted for.		
4.0	4.0 Estimated Water Supply Bills The statement of profit or loss and other comprehensive income reflect operating revenue totalling Kshs.836,513,411 which included water sales of Kshs.589,621,022 as disclosed in Note 6 to the financial statements. An analysis of the ledger provided for audit review revealed that, the Company issued estimated water bills totalling to Kshs.43,123,657 which is approximately 7.3% of the total bills. However, estimation of water bills is not included in the company's financial regulations and procedure manual as a method of recognizing	ELDOWAS has instituted measures to ensure that all meters are read monthly and billed on actual readings. Such measures include relocation of meters and all new connections are made at accessible points. Clause 4. of the billing procedure manual for the company provides that 'The senior meter reader shall forward bills requiring correction and rebilling to the Commercial manager for approval. The billing system also allows customers to be billed on estimate where reading is NOT accessible in such cases as (gate locked/meter not found/ buried) or where the meter has stopped functioning. In such case the	Resolved	30/06/23

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Reference No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timeframe
	revenue. Under the circumstance, the validity, accuracy and completeness of sales of water of Kshs.43,123,657 could not be confirmed.	customer is billed on estimate by averaging previous three months of actual readings. The billing procedure manual shall be revised to include cases where an estimated bill will issued to the customer. ELDOWAS has acquired a new meter testing facility and a team is in place that tests all newly acquired meters and routinely tests installed meters and those that are found to be faulty are immediately replaced. The billing software analyses the performance of meter readers. More profoundly, the company has improved on human resources capacity by hiring additional meter readers thus pushing the number from 47 to 60 and relieved them by also hiring 65 artisan plumbers to carry out the disconnection job formerly done by the meter readers. The meter readers were overwhelmed because they were few (47 in number) and expected to read and later disconnect customers who were not paying bills. We have also rebranded them as customer service executives and trained them on customer service. Also, the company has inaugurated a program called LindaMajiMtaani where we are sensitizing our clients on the need to ensure access by our teams to facilitate meter reading and disconnection. We have also formed an enforcement team to deal with clients who steal water causing zero billings and also leading to estimated bills. Further, we have started installation of advanced metering infrastructure (AMIs) to enable the Company to carry out follow-ups and document online the consumption pattern by our clients. The company is therefore in good course in eliminating the estimated bills. Also, we have been ensuring our meter readers visits client residents over the weekends and holidays since clients will be found in their homes		
5.0	5.0 Work in Progress The statement of financial position reflects property, plant and equipment balance of Kshs.2,594,206,911 as disclosed in Note 16 to the financial statements. Included in this balance is an amount of Kshs.8,518,229 in respect to work in progress. Examination of records provided for audit revealed that excavation, laying and backfilling of new High-density polyethylene (HDPE) pipes for Shayona Sports club project with a total estimated cost of Kshs.2,805,824 had not commenced by the time of audit. However, pipes which were delivered for the project lie idle at Kapsoya treatment plant two years after they were delivered. In the circumstances, the accuracy and completeness	(a) The Technical Department had a lot of projects to handle and with the Covid- 19 challenges, the Shayona project was delayed. The materials for this project was a balance of HDPE pipes from the Kao la Amani-Moi Girls project which was completed in the year 2020-21 (b) The material is safely secured at Kapsoya Treatment plant; this is the site where all the Company pipes are stored. (c) The pipeline to be replaced is a major water supply line and due to the limited working space, the works requires proper logistics during implementation. (d) Since most of the projects have been	Resolved	30/06/23

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Reference No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timeframe				
	of work in progress balance of Kshs.8,518,229 could not be confirmed.	completed, plans have been put in place to implement the Shayona Project in the next budget and the budget on the labour cost will also be factored.						
B. Other Matter								
6.0	6.0 Budget Control and Performance The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,773,508,192 and Kshs.980,714,070 respectively resulting to an under-performance of Kshs.792,797,122 or 45% of the budget. Similarly, the company expended Kshs.1,150,078,066 against an approved budget of Kshs.1,773,508,192 resulting to an under-expenditure of Kshs.623,430,126 or 35% of the budget. The underperformance affected the Company ' s planned activities and may have impacted negatively on service delivery to the public.	The variance was largely attributed to the planned Chebara Augmentation projection which had been factored in the budget but eventually deferred for potential donor funding. Ksh 550,000,000 had been factored in both the income and expenditure part of the budget since the company had anticipated to pursue financing of the project through external commercial borrowing. The overall budget utilization (expenditure) is 94% when Chebara Augmentation Project line item is excluded and the budget realization (income) is at 80% thus presenting a fair position especially on the expenditure component. Other impeding factors included: 1. Non-achievement of Budget assumption on NRW which stood at 39% against the estimated 35% used during budgeting of revenue which had direct impact on Income & expenditure. Higher NRW meant lower incomes from billing thus impacting on the financial performance. 2. Tariff implementation adjustments made by WASREB in March 2022 also impacted on the projected Income performance.	Resolved	30/06/23				
C. BASIS FOR CONCLUSION								
7.0	7.0 Non- Revenue Water The statement of profit or loss and other comprehensive income reflect operating revenue totalling to Kshs.836,513,411 which includes water sales amount of Kshs.589,621,022 as disclosed under Note 6 to the financial statements. Analysis of the water production and billing records revealed that the Company produced a total of 15,446,345M³ of water but billed a total of 9,370,474M³ therefore leaving a total of 6,075,871M³ as non- revenue water (NRW) which is approximately 39% of the total production. This is 14% over and above the threshold of 25% recommended by the Water service Regulatory Board (WASREB) guidelines. This may therefore, impact negatively on the Company ' s profitability and its long-term sustainability.	a) The Technical department has a water distribution and NRW section that deals with issues of NRW and their reduction. b) NRW task force was formed and it's being headed by the MD and meet monthly to check on status of NRW. c) The company has set up NRW strategies which is 27 in number and its being implemented by different stakeholders. (Attached is the status of the NRW Strategies) d) The reduction of NRW values for the financial year 2022-2023 is as follows: <table><tr><th>Month</th><th>NRW%</th></tr><tr><td>July 2022</td><td>43.5%</td></tr></table>	Month	NRW%	July 2022	43.5%	Resolved	30/06/23
Month	NRW%							
July 2022	43.5%							

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Referenc e No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timefra me												
		<table><tr><td>Aug. 2022</td><td>45.3%</td></tr><tr><td>Sept. 2022</td><td>43.6%</td></tr><tr><td>Oct. 2022</td><td>39.9%</td></tr><tr><td>Nov. 2022</td><td>37.1%</td></tr><tr><td>Dec. 2022</td><td>35.7%</td></tr><tr><td>Jan. 2023</td><td>34.4%</td></tr></table> From the table above it is evident that the company is making strides to reduce the NRW values. i) The company has also set up a project to create DMA's (District metering areas) 18 in number so as to closely monitor water within its entire network. The work entails installing 97 smart water meters, Construction of chambers, and eventual monitoring of the water meters in real time basis. The Contract was awarded to a contractor in August 2022 and will be completed in April 2023. From the monitoring of the smart meters and the water pipeline system, NRW reduction would be achieved to the recommended value of 25%. ii) The Company has also engaged the water sector trust fund (WSTF) to fund the replacement of the old water pipes. Most of the pipelines in Eldowas service areas were laid in 1960's to 1980's. The old pipes are made up of steel, Asbestos and Old Upvc pipes. Most of this pipes are worn out and leak, accounting of more than 20 % of physical losses. This project is capital intensive thus the Company has requested assistance from the Water Sector Trust fund so as to implement the project. After implementation of the project NRW values would go down since the physical losses would be eradicated. iii) On commercial losses the company has bought more than 10,000 water meters in the financial year 2022-2023 to replace defective and aged meters. This will enable the company to get accurate meter readings which would eventually lead to the reduction of NRW values. So far 3,100 water meters have been replaced.	Aug. 2022	45.3%	Sept. 2022	43.6%	Oct. 2022	39.9%	Nov. 2022	37.1%	Dec. 2022	35.7%	Jan. 2023	34.4%		
Aug. 2022	45.3%															
Sept. 2022	43.6%															
Oct. 2022	39.9%															
Nov. 2022	37.1%															
Dec. 2022	35.7%															
Jan. 2023	34.4%															
8.0	8.0 Over Expenditure on Board Expenses The statement of profit or loss and other comprehensive income reflects total expenses amount of Kshs.962,233,277 which includes board expenses of Kshs.15,502,098 as disclosed in Note 12 to the financial statements. However, water service	The board calendar had numerous activities including the recruitment of Managing Director, General Manager Strategy, Research & Resource Mobilization as well as Planning, Design & Construction Manager. Annual General Meeting, Extra ordinary Meeting and Special committee meetings were also held to discuss	Resolved	30/06/23												

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	regulatory board (WASREB) caps board expenses for the Company at Kshs.12,000,000 being the higher of 1% of annual turnover and Kshs.12,000,000, resulting to unexplained over expenditure of Kshs.3,502,098. In the circumstances, the Company incurred Kshs.3,502,098 more on Board expenses contrary to Regulation 3.4.6(c) of the WASREB regulations.	issues related with company matters. The company has initiated discussions with WASREB on the need to review the ceiling amounts.		
9.0	9.0 Trade Creditors and Other Payables The statement of financial position reflects trade creditors and other payables balance of Kshs.384,370,035 as disclosed in Note 31 to the financial statements. Included in this balance is accrued expenses payable of Kshs.220,636,018 which include Kshs.186,087,504 due to Uasin Gishu County Government on account of lease charges for assets pursuant to an addendum to the lease agreement signed between the Company and the defunct Municipal Council of Eldoret on 27 May, 2002 and the amount had been outstanding since 30 June, 2016. Records provided for audit showed that the Company, in an extra ordinary general meeting held on 22 June, 2022, shareholders resolved the Company to request for an amendment through the office of the CEC – Water, energy, natural resources, tourism and wildlife management to provide for a waiver of the accrued liability of Kshs.186,087,504. However, there was no evidence that the request was done. In addition, an accrued balance of Kshs.34,548,514 was owed to Lake Victoria North water works development agency (LVNWWDA). In the circumstances, the Company was in breach of the LVNWWDA regulations as well as the lease agreement signed with the County Government of Uasin Gishu.	The County Government of Uasin Gishu finally approved through a memo dated 26th July 2022 amendment of the conditions of lease fees by ELDOWAS whose accrued liability to the county stood at Kshs. 186,087,504 It is also worth noting the below: i. The shareholders had recommended that the company stops further payments of lease fee to County Government of Uasin Gishu and draw an addendum to the lease agreement to be signed between the county government and the company ii. The company started repayment of the Loans with National Treasury as per the extra ordinary general meeting held on 22nd January 2016 EW& SC AGM. 3/2016 iii. During the Extra Ordinary General Meeting on 23rd June 2022 ref ELDOWAS/MD/LM/VOL.V, the issue was discussed and shareholders promised to expedite on conclusion of an addendum of lease agreement between county government of Uasin Gishu and ELDOWAS iv. The company continued to pay accrued levies to Lake Victoria North Water Work Development Agency (LVNWWDA). In the year 2021/2022 Kshs. 7,072,092 was paid. ELDOWAS further requested LVNWWDA on a flexible payment modality which entailed payment of Kshs 2,357,364 quarterly & gradually until the arrears are cleared and to enable the company meet its other obligations.	Resolved	30/06/23
10.0	10.0 WASREB Penalties The statement of profit or loss and other comprehensive income reflects general and operating expenses of Kshs.324,414,483. Included in this expenditure is an amount of Kshs.34,477,624 in respect to WASREB fees as disclosed in Note 11 to the financial statements. Examination of the documents provided for audit revealed that the company paid Kshs.4,320,000 as penalty to WASREB for non-compliance with the	The Company Implemented the gazetted tariff in August 2020 after gazettelement in 12th March 2020 (Appendix 10.1). The delay in the implementation was occasioned by the test run that the Company executed in April 2020 and noted huge discrepancy in Sewer Tariff. The same was raised with the regulator who issued a corrigendum (Appendix 10.2) The implementation set up as set out by the Company was shared with the Regulator based on the outcome of the test run. The regulator did not notice the tariff set up anomaly at that point and the Company proceeded	Resolved	30/06/23

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	regulations, being material non-compliance with the approved tariffs leading to the Company overcharging its customers for both water and sewer charges totaling to Kshs.166,440,569. The non-compliance with the regulations and subsequent penalty charged is an indication of inefficient use of public resources.	to implement the set up in production environment effective August 2020. During the Tariff implementation review undertaken by the regulator 2 years after the implementation, it was noted that the set up for both Water and Sewer was not as expected hence the applied penalty. The outcome of the review exercise and a number of meetings were held to discuss the same and a number of items in the tariff were clarified to the Company on how the tariff should have been implemented. In the meetings and verifications, overcharge was confirmed to be Ksh 103 Million down from Ksh 166 Million that was captured in the review report. During a meeting between the regulator and the Company, it was resolved that the overcharge bills to the clients be rebated (credited back) over a period of 15 months (Appendix 4.6.3) The Company started effecting the rebates to clients' accounts but by the time of effecting, the regulator had already effected the penalty to the Company through the performance guarantee. Efforts by the Company to request for pardon from the regulator given that the items in the tariff that were missed were only clarified to the Company after the review. Due to the aforementioned, it is worthwhile noting that the Company did not blatantly misapply the tariff and the company is desirous of pursuing the matter further for WASREB to reconsider the earlier decision leading to the penalties.		

Signed 
Mr. Peter Kibet Arap Biwott
Managing Director

Date 15-2-2024

Signed 
Hon. David Kiptoo Singoei
Board Chairman

Date 15/2/2024

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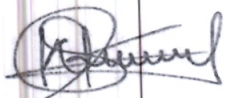
(C): INTER-ENTITY TRANSFERS

	NAME:	ELDORET WATER AND SANITATION CO. LTD		
Break down of Transfers				
	FY 2022/23			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>The FY to which the amounts relate</u>
a.	Development Grants			
	CGUG on project pipes	22 nd May 2023	49,100,000	2022/23
	CGUG on project Financing	15 th June 2023	24,175,862	2022/23
		Total	73,275,862	

The above amounts have been communicated to and reconciled with the County Government of Uasin Gishu.

General Manager Financial Services

Signed _____



Chief Officer, Finance and Economic Planning

Signed _____

