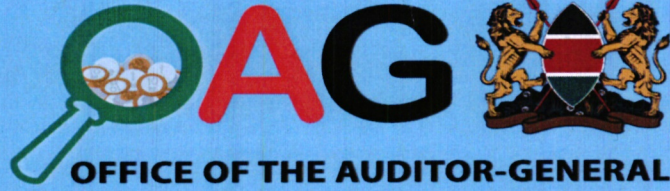


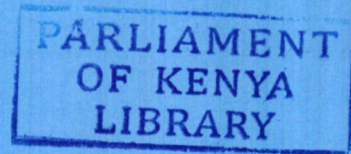
REPUBLIC OF KENYA



Enhancing Accountability

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REPORT



OF

THE AUDITOR-GENERAL

ON

**ELDORET WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**

OFFICE OF THE AUDITOR -GENERAL
CENTRAL RIFT REGIONAL OFFICE

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ELDORET WATER & SANITATION CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022**

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

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I. KEY ENTITY INFORMATION

Background information

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

Principal Activities

The principal 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

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5. Innovativeness

6. Inspiring

Directors

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

Mr. Andrew Chelogoi	Chairman	Appointed on 08/12/2017
Mr. Simion Kemei	Member	Appointed on 18/06/2014
Mr. Peter Chesos	Member	Appointed on 18/03/2016
Ms. Jane Tanui	Members	Appointed on 08/12/2017
Mr. Erastus Kahonge	Member	Appointed on 08/12/2017
Mr. Mahamoud Kiplagat	Member	Appointed on 05/10/2018
Dr. Victoria Kutto	Member	Appointed on 05/10/2018
Mrs. Zipporah Cheruiyot	Member	Appointed on 08/10/2018
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. 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 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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II. THE BOARD OF DIRECTORS




	<p>Name: Mr. Andrew Chelogoi Saina Contract Period: 08/12/ 2018 – 14/12/2024 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.</p>
	<p>Name: Mr. Simion Kemei Contract Period: 18/6/2014 – to date He represents the County Government of Uasin Gishu in the Board. He is the Chief Officer in Charge of Water, Environment, Natural Resources, Tourism and Wildlife Management. He holds a Bachelor of Science degree in Environmental & Bio-systems Engineering from the University of Nairobi.</p>
	<p>Name: Peter Kipruto Chesos Contract Period:18/3/2016-to date He represents the County Government of Uasin Gishu where he serves as the Chief Officer in charge of Finance. He holds a Bachelor of Commerce Degree from the University of Nairobi. He has extensive banking experience from 1994 to 2013. He held Branch Managers position both at Consolidated Bank as well as Kenya Commercial Bank.</p>
	<p>Name: Erastus Kagua Kahonge Contract Period: 08/12/ 2017 – 07/12/2021 He represents Manufacturing Community in the Board. He has Diploma in Information Technology Amboseli Institute in Thika. He has over 10 years working experience in the ICT and business. He is a certified member of Computer Society of Kenya and Kenya Association of Manufacturers. He is the chairperson of the technical committee of the board.</p>
	<p>Name: Jane Cheruto Tanui Contract Period: 08/12/2017 – 14/12/2024 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.</p>

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	<p>Name: Mahamoud Kiplagat Contract Period: 5/10/2018- 23/10/2024</p> <p>He is a Board member representing resident Community of Kipkenyo. He has Diploma in Public Administration from Moi University. He also has 5 years' leadership and Administration experience as an elected Councillor and was rated as the best councillor in 2011 for Eldoret Municipal Council. In addition, he has over 8 years working experience as a supervisor in MEA general stores and Nyangmet Co-operative Society.</p>
	<p>Name: Dr. Victoria Kutto Contract Period: 5/10/2018- 23/10/2024</p> <p>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.</p>
	<p>Name: Mrs. Zipporah Cheruiyot Contract Period: 5/10/2018- 23/10/2024</p> <p>She is a Board member representing the professional bodies. She has a Bachelor of Education degree from University of Nairobi, higher Diploma in Human Resource and over 20years of experience shaping the strategic direction and brand positioning for organizations both in Government and Private sector including her own venture, Tumaini Greenfields Schools.</p>
	<p>Name: Mr. Peter Biwott Contract Period:18/10/2021-17/10/2024</p> <p>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.</p>

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III. CORPORATE MANAGEMENT TEAM

	<p>Name: Mr. Peter Biwott Contract Period: 18/10/2021-17/10/2024</p> <p>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.</p>
	<p>Name: Eng. Jimmy Kemboi Contract Period: 1/11/2012 – 31/10/2023</p> <p>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.</p>
	<p>Name: CPA, CS Wesley Kiprono Contract Period: 1/07/2012 – 30/06/2024</p> <p>Mr. Kiprono holds a Masters of Business Administration (MBA-Financial Management), Bachelor of Commerce Degree (BCOM-Finance) and Post Graduate Diploma in Project Management. He is a Certified Public Accountant of Kenya (CPA-K), Certified Public Secretary of Kenya (CPS-K), Certified Professional Mediator (Eckerd College, Mediation Training Institute) and also has certifications in Strategic Leadership Development Program & Senior Management Course (Kenya School of Government). He is currently pursuing a PhD. course in Business Administration</p>

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	<p>(Financial Management) at the Jomo Kenyatta University of Science and Technology and Certified Investment & Financial Analysis (CIFA) course (Advanced Level).</p> <p>Mr. Kiprono is a registered Member of the Institute of Certified Public Accountants of Kenya (ICPAK), Certified Public Secretaries of Kenya (ICPSK) and the Kenya Institute of Management (KIM). 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.</p>
	<p>Name: Fredrick Kosgei Contract period: 01/07/2021-30/06/2024</p> <p>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</p>
	<p>Name: Zebby Kirui Contract period: 01/03/2022-28/02/2025</p> <p>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.</p>

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IV. 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 2022. Since its inception and operations in year 2000, the Company has continued to attain remarkable achievements in provision of water and sewerage services within its area of jurisdiction.

Operating Environment

The Company operates in a regulated 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.

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 Organizational 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. 13,000m³ per day and sewerage coverage stands at about 35%. To bridge the gaps above, the Company has put in place plans which includes;

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

Corporate Governance

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

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Future outlook

ELDOWAS reaffirms its Commitment to achieving the aspirations of the vision to be a world class water service provider in Kenya. Despite budgetary constraints and unforeseeable risks, the Company undertakes to do various activities as envisaged in the strategic plan 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 33% by June 2023
- Continue to automate processes in the company
- Extend and rehabilitate water and sewer network within the service areas.
- Collaborate with development Partners with a view of improving water and Sewerage sources and supply infrastructure.

Appreciation

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

Signed  Date: 22.3.2023
Mr. Andrew Chelogoi
Chairman (Board of Directors)

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V.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 2022 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 "A 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 2021/2022 financial year the Company made several achievements. The following achievements were realized during the year;

- i) The Company was ranked position ten (10) overall amongst all Water Service Providers in Kenya (WASREB Impact Report No. 10).
- ii) For the sixth 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. 836,513,411.
- 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 being 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;

- 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 39% and initiate new expansion development programmes.
- iii) The outstanding debts stands at Kshs. 597,404,809 (water & cleansing) for the reporting period compared to Kshs. 634,377,322 in the last financial year.
- iv) Rampant illegal connections for both water and waste water

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 35% by June 2023.
- (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.

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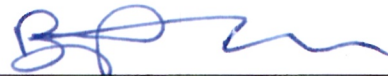
D) CONCLUSION

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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VI. REVIEW OF PERFORMANCE'S FOR FY 2021/2022

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

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

Eldowas develops its annual work plans based on the above three (3) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the Financial Year 2021/2022 period for its three (3) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Capacity to meet demand	Adequate Water Supply	Additional Volume of Water to increase the hours of Supply	Development of additional Water Sources	- The Company maintained production capacity of approximately 42,376m ³ /day following the commissioning of Kapsoya/Ellegrini Water Project - 21 hours of supply per day -Kipkarren Water Project is on going -Design of the proposed Two Rivers Dam is on going
		New distribution network	Extension of distribution networks	Laid 18.2 kms of new pipelines
		Replacement of old pipelines	Identification and replacement of aged/dilapidated pipelines	Replaced 7.39 kms of aged pipelines with HDPE pipes
	Adequate Sewerage Services	New Sewer lines	Extension of sewer networks – 5 kms/yr	Extended 4.4 kms of new sewer network
		New Sewer connection	500 new connections per year	653 new sewer connections made
	Environmental Management and Conservation	No. of catchment areas protected	Catchment protection and management activities	-Sponsored conservation runs at Moiben, Kaptagat and Naiberi.
		No. of trees planted	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. 194,741,880 from the following institutions; -Received Ksh. 49,519,226 from the County Government of Uasin Gishu

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				<ul style="list-style-type: none"> -Received 111,491,646 from Water Sector Trust Fund (WSTF) under Conditional Liquidity Support Grant (CLSG) -Received Kshs. 1,516,275 from Water Sector Trust Fund (WSTF) under Up-scaling Basic Sanitation for Urban Poor (UBSUP) project. -Received Ksh. 20,190,646 from the KRA as VAT refunds. -Received Kshs. 12,024,542 from Water Sector Trust Fund (WSTF) and JICA as in kind support for water chemicals.
Pillar 2: Operational efficiency	Reduce NRW	% of reduction	-Develop and implement NRW reduction Strategies	NRW reduced from 42% at the beginning of the year to an average of 39% as at the end of the year (30 th June 2022).
	Automation of operations	Automation of key company processes	ERP Treatment plants Metering Customer side	<ul style="list-style-type: none"> -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	-Management of the wage bill to below 30% -Debt collection	-Improved from 43% to 39%
		Debt Reduction % Increase of revenue and collections	-Tariff review -Recruitment of new customers -Improved hours of supply	<ul style="list-style-type: none"> -Collected Ksh. 55,733,948 million from the old debt. -Continued to implement the approved tariff - 2,380 new water and 653 sewer connections . -Maintained at 21 hours/day
	Service excellence	-Level of Customer Satisfaction	-To carry customer Satisfaction survey	- The Customer Satisfaction survey 2020/2021 was carried out and the 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	-Continues to implement the matrix	

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			satisfaction report	
	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: Organizational Development	Improve productivity	100% of staff to be trained	Undertaking annual capacity building as per training needs and job enrichment	-Training needs assessment (TNA) in place. -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 30 th September 2021. -Complied with statutory requirements and other obligations such as PAYE, NHIF, Pension, Helb, Sacco dues, Staff Loans and NSSF, OSHA, Labour Laws, Submitted Reports to NEMA, WASREB.
	Institutionalize corporate Governance across the organization	100% of compliance	Comply with chapter 6 of the constitution of kenya 2010 requirements on Leadership and Integrity Capacity Building	-Conflict of Interest register in place. -All Board members and management trained on Corporate Governance. -Recruitment of Board Members and staff requires compliance with Chapter 6.

VII. CORPORATE GOVERNANCE STATEMENT

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

Composition of the Board

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

Board Diversity

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

Roles and Responsibilities of Directors

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

Board composition and Committees

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

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

* Represents the Chairman of the Board/ Committee

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. The full Board of Directors meets at least four times a year as per the guidelines of WASREB and the Board Charter. Special Board meetings are held to deliberate on emerging issues. The decisions of the Board are collective. Below is the extract from the attendance register for Full Board meetings held in the period from 1st July 2021 to 30th June 2022

No	Members	27/8/21	20/9/21	21/9/21	4/10/21	19/11/21	7/12/21	21/2/22	16/5/22	23/5/22	Att %
1	Andrew Chelogoi	√	√Š	√AGM	√Š	√	√Š	√	√	√EOGM	100
2	Peter Chesos	√	√Š	√AGM	√Š	√	√Š	√		√EOGM	75
3	Simion Kemei	√	√Š	√AGM	√Š	√	√Š	√	√	√EOGM	100
4	Mahamoud Kiplagat	√	√Š	√AGM	√Š	√	√Š	√	√	√EOGM	100
5	Jane Tanui	√	√Š	√AGM	√Š	√	√Š	√	√	√EOGM	100
6	Erastus Kahonge	√	√Š	√AGM	√Š	√	√Š				50
7	Dr. Victoria Kutto	√	√Š	√AGM	√Š	√	√Š	√	√	√EOGM	100
8	Zipporah Cheruiyot	√	√Š	√AGM	√Š	√	√Š	√	√	√EOGM	100

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 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	12/08/21	16/09/21	10/11/21	11/02/22	09/05/22	% of Attendance
Jane Tanui	√*	√Š*	√*	√*	√*	100
Peter Chesos	√	√Š	√	√	√	100

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Mahamoud Kiplagat	√	√S	√	√	√	100
Zipporah Cheruiyot	√	√S	√	√	√	100
Erastus Kahonge	√	√S	√			50
Simion Kemei				√	√	50

. Director Simion Kemei attended the committee meeting on a special invite

ii) Planning, Operations & Technical Committee

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

Member	08/6/2021	05/11/2021	07/02/2022	05/05/2022	% of Attendance
Simion Kemei	√	√	√	√	100
Dr. Victoria Kutto	√	√	√	√	100
Erastus Kahonge	√*	√*			50
Zipporah Cheruiyot	√	√	√*	√*	100
Jane Tanui	√	√	√	√	100

There was a change on the chairperson of the committee because one director retired on 7th December 2021.

iii) Audit & Risk Management Committee

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

Member	17/8/2021	12/11/2021	15/02/2022	11/5/2022	% of Attendance
Dr. Victoria Kutto	√*	√*	√*	√*	100
Mahamoud Kiplagat	√	√	√	√	100
Simion Kemei	√	√	√	√	100
Peter Chesos	√	√	√	√	100
Zipporah Cheruiyot			√		25

Director Zipporah Cheruiyot attended the committee meeting on a special invite

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.

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.

VIII. 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 836,513,411 from both billing and non-billing revenue sources. The company posted a surplus of Kshs 18,480,954 with a cash flow position of Kshs. 229,523,323. The collection efficiency stood at 112%.

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 14.9 KMS of new water pipeline within the service area.
- b) Extended 8.1 KMS of sewer line within the service area.
- c) Provided water and sewerage services without major interruptions.
- d) Mapped approximately 95% of all customer connection points on GIS for ease of identification and management of all customers for continuous update of customer database.
- e) Use of HDPE pipes for all new connections and replacements

ICT Environment

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

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

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Capital Expenditure

In the Financial 2021/22, the company incurred capital expenditure of Ksh. 153,583,630 compared to Ksh. 215,880,492 in the financial year 2020/21 comprising of the following:

a) Buildings, water and sewer works	Kshs.84,548,938
b) Computer, Copiers	Kshs.4,426,720
c) Meters, Equipment and Tools	Kshs.51,119,368
d) Motor Vehicle	Kshs.8,185,000
e) Work in progress -	Kshs.8,518,229

Capital projects were financed through internally generated funds, support from County Government of Uasin Gishu and from other well-wishers received in the financial year 2021/2022

Development Expenditure

The construction of Kipkaren Water Supply through funding from the African Development Bank is ongoing. Design for Two-Rivers dam having being commenced.

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.13,000m³/day in Eldoret town and its environs. This situation is further aggravated by increased infrastructural developments including construction and rehabilitation of roads, laying of fibre optic cables, and rehabilitation of storm water drains among others. These activities have caused widespread damages of water and sewerage infrastructure, thus resulting in huge losses to the company.

Debtors

The net outstanding debts stands at Kshs 597,404,809 (water & cleansing) for the reporting period compared to Kshs 634,377,322 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 39% 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, 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

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smart metering and installation of HDPE pipes in Kipkorgot, Annex and Elgon View zones. The company will also continue to invest on any emerging technologies and materials in an effort to alleviate the effects of NRW. We believe that reduction of NRW will lead the company to positively influence quality of services, increase in revenue collection, service coverage and essentially long-term commercial viability.

Project financing

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

SECTION B: Obligations

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

SECTION C: Operations

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

SECTION D: Risk Management

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

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

SECTION E: Loans

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

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372,496,364.40 alongside the repayment schedule. The outstanding loan amount is Ksh. 280,000,000. The company has the following other outstanding loans: Expansion of Chebara Treatment plant- Ksh. 285,733,550, Lessos water supply- Ksh 192,634,510 and Ellegirini/Kapsoya water supply- Ksh. 550,000,000.

SECTION F: Assurance

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

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IX. ENVIRONMENTAL /SUSTAINABILITY REPORTING

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

Sustainability Strategy and Profile

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

Employee Welfare

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

Environmental Performance

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

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natural resources, biodiversity, air quality, land use, waste management, noise and public health. The company spent Kshs. 11,025,364 to support water sources conservation including planting 229,378 tree seedlings.

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 28,766,570.

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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X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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, 2022 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 out the audit of ELDOWAS for the year/period ended June 30, 2022.

BY ORDER OF THE BOARD,

Signed 

Mr. Peter Kibet Arap Biwott

Managing Director

Date: 23-3-2023

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

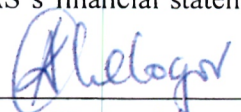
The Directors are responsible for the preparation and presentation of ELDOWAS's financial statements, which give a true and fair view of the state of affairs of ELDOWAS for and as at the end of the financial year ended on June 30, 2022. This responsibility includes i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; iv) Safeguarding the assets of ELDOWAS; v) Selecting and applying appropriate accounting policies; and vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for ELDOWAS's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the Company Act Cap 486. The Directors are of the opinion that ELDOWAS's financial statements give a true and fair view of the state of ELDOWAS's transactions during the financial year ended June 30, 2022, 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 August 2022 and signed on its behalf by:

Signed 

Mr. Andrew Chelogoi

Chairman (Board of Directors)

Date 22.3.2023

Signed 

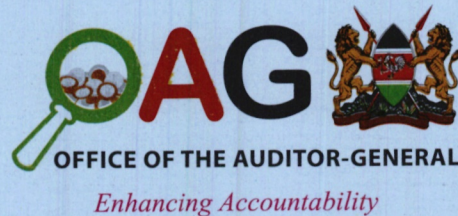
Mr. Peter Kibet Arap Biwott

Managing Director

Date 23-3-2023

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ELDORET WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

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 44, which comprise of the statement of financial position as at 30 June, 2022, 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 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, 2022, 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

1.0 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.

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 balance of Kshs.596,060,717 as at 30 June, 2022 could not be confirmed.

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 balance of Kshs.48,584,233 as at 30 June, 2022 could not be confirmed.

3.0 Outstanding Temporary Imprests

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 30 June, 2022 could not be confirmed.

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. However, 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 revenue.

Under the circumstance, the validity, accuracy and completeness of sales of water of Kshs.43,123,657 for the year ended 30 June, 2022 could not be confirmed.

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 lay idle at Kapsoya Treatment Plant two years after they were delivered.

In the circumstances, the accuracy and completeness of work in progress balance of Kshs.8,518,229 as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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

Budgetary 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.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's report, directors' report, the statement of corporate governance, Management discussions and responsibilities, statement of corporate social responsibility and the statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the 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 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 15,446,345 (M³) of water but billed a total of 9,370,474 (M³) therefore leaving a total of 6,075,871 (M³) 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.

2. 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 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.

3. 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 has 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's Management was in breach of the LVNWWDA regulations as well as the lease agreement signed with the County Government of Uasin Gishu.

4. 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 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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 May, 2023

Report of the Auditor-General on Eldoret Water and Sanitation Company Limited for the year ended 30 June, 2022

Eldoret Water and Sanitation Company Limited
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XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

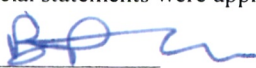
	NOTES	2022 Kshs	2021 Kshs
REVENUES			
Operating revenue	6	836,513,411	813,036,637
Grant income	7	128,749,574	150,532,130
Other Income	8	4,791,500	3,247,125
Finance income	9	10,659,585	8,633,274
Total Revenues		980,714,070	975,449,166
EXPENSES			
Staff Costs	10	386,340,982	358,315,157
General and Operating Expenses	11	324,414,483	256,749,113
Board Expenses	12	15,502,098	13,521,520
Maintenance Expenses	13	68,089,569	69,301,137
Depreciation and Amortization Expenses	14	150,340,100	140,040,814
Finance Costs	15	17,545,885	18,348,126
Total expenses		962,233,117	856,275,867
Surplus		18,480,953	119,173,299

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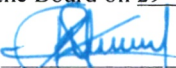
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

ASSETS	NOTES	2022	2021
		Kshs	Kshs
Non-current Assets			
Property/plant & Equipment	16	2,594,206,911	2,590,301,329
Intangible Assets	17	300,554	962,606
Biological Assets	18	66,578,117	36,613,830
Investments- Treasury bills	19	57,000,000	57,000,000
Total Non-Current Assets		2,718,085,582	2,684,877,765
Current assets			
Inventories	20	49,798,871	46,659,741
Trade and other Receivables	21	596,060,717	625,746,774
Cash & bank balances	22	229,523,323	258,572,221
Total Current Assets		875,382,911	930,978,736
Total Non-Current Assets/Current Assets		3,593,468,493	3,615,856,502
EQUITY			
Capital and Reserves			
Share capital	23	100,000	100,000
Accumulated Losses/Profits		1,382,041,576	1,333,596,336
Capital and Reserves		1,382,141,576	1,333,696,336
Capital fund			
KFW grant for sanitation project	24	681,417,970	710,875,682
Grant National Housing	25	129,134,276	132,823,827
Grant Water Trust Fund	26	49,601,256	51,159,410
Grant Uasin Gishu County	27	106,184,336	98,653,259
		966,337,839	993,512,178
NON-CURRENT LIABILITIES			
County Government of Uasin Gishu (Borrowing)	28	280,000,000	303,333,333
Expansion of chebara Water Works Loans	29	285,733,550	292,147,457
Kesses/Lessos Augmentation Works Loans	30	192,634,510	197,148,589
Total Non-current Liabilities		758,368,060	792,629,379
Current liabilities			
Trade creditors & other payables	31	384,370,035	400,069,772
Customer Deposits	32	99,485,670	93,665,513
Provision for liabilities & other charges	33	2,765,312	2,283,322
Total Current liabilities		486,621,017	496,018,607
TOTAL EQUITY AND LIABILITIES		3,593,468,492	3,615,856,501

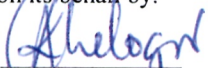
The financial statements were approved by the Board on 29th August, 2022 and signed on its behalf by:

Signed 
Peter Kibet Arap Biwott
Managing Director

Date 23-3-2023

Signed 
CPA Wesley Kiprono (M/N 13712)
General Manager Financial Services

Date 21/3/23

Signed 
Mr. Andrew Chelogoi
Chairman of the Board

Date 22.3.2023

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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

Statement of changes in Equity					
	Share Capital Kshs.	Retained Earnings Kshs.	Capital/Development Grants Kshs.	Total Kshs.	
At the beginning of the year 1/07/2020	100,000	1,214,423,038	969,494,139	2,184,017,177	
Surplus for the year		119,173,299	-	119,173,299	
Grants received during the year (CGUG)			49,519,266	49,519,266	
Grants received during the year (WSTF-CLSG)			11,000,000	11,000,000	
Amortization Income			(36,501,227)	(36,501,227)	
At the end of the year 30/06/2021	100,000	1,333,596,336	993,512,178	2,327,208,514	
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	

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XVI. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Operating Revenue		895,293,430	856,861,956
Finance Income	9	10,659,585	8,633,274
Grants		93,948,809	162,525,628
Total Receipts		999,901,824	1,028,020,858
Payments			
Staff Costs	10	386,340,982	358,315,157
Board Expenses	12	15,502,098	13,521,520
other payments/development		627,107,642	613,440,323
Total Payments		1,028,950,722	985,277,000
Net Cash From/(Used In) Operating Activities		(29,048,898)	42,743,858
Increase/(Decrease) In Cash And Cash Equivalents		(29,048,898)	42,743,858
Cash And Cash Equivalents At Beginning Of Year		258,572,221	215,743,363
Cash And Cash Equivalents At End Of The Year	22	229,523,323	258,572,221

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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget 2021-22	Adjustment 2021-22	Final Budget 2021-22	Actuals 2021-22	Performance Difference 2021-22	% of utilization 2021-22
REVENUES						
Operating revenue	975,311,583	(28,000,000)	947,311,583	836,513,411	110,798,172	88%
Grant income		(104,648,809)	104,648,809	128,749,574	(24,100,765)	123%
Other Income	28,605,000	(1,825,000)	26,780,000	4,791,500	21,988,500	18%
Finance income	15,000,000		15,000,000	10,659,585	4,340,415	71%
Arrears	60,000,000		81,767,800		81,767,800	0%
Own financing			48,000,000		48,000,000	0%
Chebara Augmentation			550,000,000		550,000,000	0%
TOTAL REVENUES	1,078,916,583	74,823,809	1,773,508,192	980,714,070	792,794,122	55%
EXPENSES						
Staff Costs	399,282,699	7,000,000	406,282,699	386,340,982	19,941,717	95%
General and Operating Expenses	363,941,378	52,048,810	415,990,188	324,414,483	91,575,705	78%
Board Expenses	12,000,000	1,200,000	13,200,000	15,502,098	(2,302,098)	117%
Maintenance Expenses	76,545,794		77,720,794	68,089,569	9,631,225	88%
Depreciation and Amortization expenses	-		-	150,340,100	(150,340,100)	
Finance cost & Loan principal	77,399,192		109,399,192	51,807,204	57,591,988	47%
TOTAL EXPENSES	929,169,063	60,248,810	1,022,592,873	996,494,436	26,098,437	97%
Capital Expenditure	149,747,519	51,167,800	200,915,319	153,583,630	47,331,689	76%
Chebara Augmentation Project	-	550,000,000	550,000,000	-	550,000,000	
TOTAL EXPENDITURE	1,078,916,582	661,416,610	1,773,508,192	1,150,078,066	623,430,126	65%

Remarks

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 39% against 35% used during budgeting of revenue which had direct impact on expenditure.
2. Tariff adjustments made by WASREB in March 2022.
3. The overall budget utilization (expenditure) is 94% when Chebara Augmentation Project line item is excluded and the budget realization (income) is 80%.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Eldoret Water and Sanitation Company Limited (ELDOWAS) was incorporated in October 1997 under Companies act (CAP 486 Laws of Kenya). It started operations in the year 2000. The County Government of Uasin Gishu is the principal shareholder. Under the Water Act 2016, ELDOWAS carries out its functions as a Water Services provider under the license provided by Water Sector Regulatory Board (WASREB). The principal 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 except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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 CAP 486, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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 2022*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to	The amendment, applicable to annual periods	The amendments are

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Title	Description	Effective Date
IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies	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. Earlier application is permitted.

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Title	Description	Effective Date
(issued in February 2021)		
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 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. Early adoption is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

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.

- i) **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
- ii) **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.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **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.

i) 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.

j) 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

k) Taxation

i) Current income tax

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

l) 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

m) 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.

n) 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.

o) Borrowings

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

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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.

p) 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.

q) 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. 200 per employee per month.

r) 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

s) Budget information

The original budget for FY 2021-2022 was approved by the Board and subsequently forwarded to the County Treasury on 6th April 2021. 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.

a) Comparative figures

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

b) 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, 2022.

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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	2021/2022 (Kshs.)	2020/2021 (Kshs.)
Board allowances and Honoraria	13,521,520	13,521,520
Key Management allowances	18,723,387	18,723,387
Total	32,244,907	32,244,907

The judgements, estimates and assumptions include:

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

b) Useful lives and residual values

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. 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

	2022	2021
6 Operating Revenue	Kshs	Kshs
Water Sales	589,621,022	572,931,062
Sewerage services	204,276,349	201,862,006
Billing for other services 6(b)	42,616,040	38,243,569
Total	836,513,411	813,036,637
	2022	2021
6(b) Billing for other services	Kshs	Kshs
Turn on Fees	5,708,860	7,979,450
Reconnection Fees	14,508,800	11,470,450
Penalty/Surcharge	2,652,750	259,902
Estimate of new connection	5,578,008	8,830,075
Sewer Connection Charges	2,251,180	1,420,079
Sale of sludge	65,000	11,250
Blockage Charges	843,000	266,000
Meter Testing	220,255	160,600
Hire of Machinery/Vehicles	8,481,258	6,303,726
Water Sampling/Tests	1,412,155	1,054,437
Sale Of Stores	894,774	487,600
Total	42,616,040	38,243,569
	2022	2021
7 Grant income	Kshs	Kshs
WSTF - CLSG grant	83,248,809	100,491,190
WSTF - UBSUB	-	1,515,172
Amortization Income	37,874,339	36,501,226
In Kind donation (water chemical)	7,626,426	12,024,542
Total	128,749,574	150,532,130
	2022	2021
8 Other income	Kshs	Kshs
House Rent Income a/c	745,100	76,400
Other income	4,046,400	3,170,725
Total	4,791,500	3,247,125
	2022	2021
9 Finance income	Kshs	Kshs
Interest from Treasury Bills	3,810,295	
Interest from Commercial Banks	6,759,319	8,633,274
Commission – Agency on Insurance	89,971	
Total	10,659,585	8,633,274

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	2022	2021
	Kshs	Kshs
10 Staff Costs		
Gross Salary & Allowances	250,780,023	229,541,645
Casual Workers' Wages	46,734,644	43,199,371
Medical insurance schemes	32,894,317	32,895,992
Employer's contributions to social security schemes	780,800	757,000
Employer's contributions to pension scheme	31,708,039	30,841,878
Gratuity	2,837,000	-
Staff welfare	197,165	252,971
Other allowances	20,408,994	20,826,300
Total	386,340,982	358,315,157
The average number of employees during the year were 383 staff		
	2022	2021
	Kshs	Kshs
11 General and Operating Expenses		
Training Costs	10,723,532	5,027,370
Business Travel	20,526,727	10,235,998
Overnight Allowance	11,980,750	2,524,685
Licences	2,441,556	1,894,951
Electricity	16,100,396	16,786,023
Telephone	7,636,891	6,871,609
Postage	3,501,412	2,773,001
WASREB Fees	34,477,624	29,486,645
WARMA	12,273,613	12,166,670
Lab Charges & Reagents	4,181,291	3,418,899
Water & Sewerage	6,613,125	1,191,661
General Insurance	3,325,362	2,581,592
Security Services	14,608,683	11,888,827
Pro Poor	3,376,187	2,350,298
Rates	62,800	314,170
Stationery	2,232,079	1,798,425
Advert & Public Relation	8,102,351	2,623,416
Subscriptions	1,637,373	1,276,160
Donations	-	200,000
Bank Charges	2,020,642	2,041,109
Audit Fees	348,000	348,000
Professional Fees	3,693,104	6,345,321
Function/Celebration	3,008,274	1,354,773
Other Office Expenses	4,022,524	4,580,955
Water Chemicals	43,338,736	40,670,446
Uniforms	3,056,328	3,297,909
Fuel/Oil/Lubricants	15,793,005	17,324,192
Cleaning & Laundry Material	5,867,181	7,101,293
HIV/Aids Programs	84,290	521,500
Rent Area Offices	4,338,133	3,104,683
Sports	6,141,819	1,540,271

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	CSR Activities	28,766,570	9,867,319
	ISO Activities	2,692,407	1,200,181
	Legal Costs	4,182,987	4,200,537
	NRW Activities	18,426,112	16,994,708
	Tax Assessments & Penalties	5,573	9,351,092
	Stakeholders Engagement	2,685,610	150,000
	Tools	1,116,072	1,183,757
	Conservation of Water Resources	11,025,364	10,160,667
	Total	324,414,483	256,749,113
		2022	2021
12	Board Expenses	Kshs	Kshs
	Chairman Honoraria	1,044,000	
	Sitting Allowances	6,110,000	13,521,520
	Induction & Training	799,920	
	Travel & Accommodation	2,375,700	
	Others allowances	5,172,478	
	Total	15,502,098	13,521,520
		2022	2021
13	Maintenance Expenses	Kshs	Kshs
	Building Maintenance	10,400,716	6,426,197
	Grounds Maintenance	4,205,640	4,912,017
	Plant & Machinery Maintenance	12,474,271	9,696,098
	Meter Maintenance	5,865,440	2,912,250
	Maintenance of Office Equipment	606,292	844,613
	Office Furniture Repairs	62,150	128,779
	Vehicle Repair & Maintenance	5,370,592	7,787,213
	Repair Parts & Material	28,640,261	35,970,130
	Access Road Maintenance	464,207	623,840
	Total	68,089,569	69,301,137
		2022	2021
14	Depreciation and Amortization expenses	Kshs	Kshs
	Depreciation	149,678,048	138,496,919
	Amortization of intangible	662,052	1,543,895
	Total	150,340,100	140,040,814
		2022	2021
15	Finance Costs	Kshs	Kshs
	KWF Loan for Eldoret Water Phase II	7,437,500	8,020,833
	Expansion of Chebara Treatment Plant	5,932,863	6,061,489
	Kesses/Lessos Treatment Plant	4,175,522	4,265,804
	Total	17,545,885	18,348,126

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16	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, 2020	132,505,455	3,302,038,013	45,470,442	75,518,993	333,288,383	62,231,177	3,951,052,463
	Transferred Company		52,825,153				(52,825,153)	-
	Additions - Company		17,291,661	1,610,304	23,400,758	57,206,097		99,508,820
	Additions - County/others		14,432,124					14,432,124
	Work in Progress-Company						101,906,142	101,906,142
	At 30th June, 2021	132,505,455	3,386,586,951	47,080,746	98,919,751	390,494,480	111,312,166	4,166,899,549
	DEPRECIATION:							-
	At 1st July, 2020		1,143,872,444	42,916,246	55,582,938	195,729,672		1,438,101,300
	Adjustment of Accumulated		(114,997)	114,997				-
	Depreciation for the year		85,728,957	2,639,968	16,155,773	33,972,222		138,496,919
	At 30th June, 2021		1,229,486,404	45,671,211	71,738,711	229,701,894		1,576,598,220
	NET BOOK VALUE:	132,505,455	2,157,100,547	1,409,536	27,181,040	160,792,586	111,312,166	2,590,301,329
	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 for the year		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

Non-current Assets totalling Kshs 225,184,631 had been fully depreciated by the end of the financial year 2021/22. 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	44,462,443
Motor Vehicles & Motor Cycles	45,230,799
Meters Equipment Furniture & Tools	127,333,344
Total	225,184,631

17	Intangible Assets	2022 Kshs	2021 Kshs
	Cost	19,392,903	18,491,903
	Additional	-	901,000
	Accumulated amortization	(18,430,297)	(16,886,402)
	Less Amortization	(662,052)	(1,543,895)
	Net Book Value	300,554	962,606

18	Biological Assets	2022 Kshs	2021 Kshs
	Fair value at the beginning of the year	36,613,830	36,613,830

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	Fair value arising from physical changed	29,964,287	-
	Fair value at the end of the year	66,578,117	36,613,830
19	Investments	2022	2021
		Kshs	Kshs
	Treasury bills	57,000,000	57,000,000
		57,000,000	57,000,000
20	Inventories	2022	2021
		Kshs	Kshs
	General stores	3,011,070	2,681,241
	Stationery	1,732,729	2,226,007
	Electrical items	1,014,859	1,132,181
	Water fittings and chemicals	44,040,213	40,524,763
	Laboratory items	-	95,550
		49,798,871	46,659,741
21	Trade and other Receivables	2022	2021
		Kshs	Kshs
	Trade receivables	510,394,830	552,236,195
	Cleansing	87,009,979	75,278,870
	Less provision for doubtful debts	(60,000,000)	(60,000,000)
	Net Trade receivables	537,404,809	567,515,065
	Add: Debtors General	2,654,480	2,523,376
	Vat Refunds	48,584,233	48,584,233
	Utilities Deposits	7,146,100	7,092,100
	other advances	271,095	32,000
	Total Receivables	596,060,717	625,746,774
22	Cash and bank balances	2022	2021
		Kshs	Kshs
	Standard chartered Bank Kenya Ltd		
	Collection account	5,215,841	10,759,899
	Operation account	14,891	(9,058,294)
		5,230,732	1,701,605
	KCB Accounts		
	Loan Repayment	43,425,045	8,703,444
	Customer Deposit	43,787,590	8,501,014
	Customer Collection	2,168,385	1,283,952
	KCB Fixed Deposit	-	100,000,000
	Equity Bank	4,414,016	2,854,694
	Family Bank	20,091,286	22,820,017
	Family Bank CLSG	1,402	10,723,936
	Family Bank Collection	3,498,028	1,013,508

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Family Bank on call deposit	105,312,500	100,000,000
M-Pesa	1,427,324	857,811
Airtel Money	117,015	62,240
Petty cash	50,000	50,000
	229,523,323	258,572,221
	2022	2021
	Kshs	Kshs
23 Share capital	100,000	100,000
Authorized, issued and fully paid		
5,000 shares of Ksh 20/- each	100,000	100,000
	2022	2021
	Kshs	Kshs
24 KFW grant for sanitation project	710,875,682	740,333,394
Balance B/F		
less Amortization for the Year	(29,457,712)	(29,457,712)
Balance C/F	681,417,970	710,875,682
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		
	2022	2021
	Kshs	Kshs
25 Grant National Housing	132,823,827	136,513,378
Balance B/F		
less Amortization for the Year	(3,689,551)	(3,689,551)
Balance C/F	129,134,276	132,823,827
The Ministry of National Housing and Corporation financed the construction of Langas- Kipkaren trunk Sewer line. The project started in September 2009 and was completed in August 2011		
	2022	2021
	Kshs	Kshs
26 Grant water trust fund	51,159,410	41,277,564
Balance B/F		
Grants received during the year	-	11,000,000
less Amortization for the Year	(1,558,154)	(1,118,154)
Balance C/F	49,601,256	51,159,410
These are grants from Water Trust Fund to provided Water and Sanitation Services in informal settlement schemes within Eldoret Municipality. The Ist Call was received in 2009 and the company has been receiving funds upto 5th call by end of 30th June 2014		
	2022	2021
	Kshs	Kshs
27 Grant from County Government of Uasin Gishu	98,653,259	51,369,803
Balance B/F		
Grants received during the year	10,700,000	49,519,266
less Amortization for the Year	(3,168,923)	(2,235,810)
Balance C/F	106,184,336	98,653,259
The company received the Grant from County Government of Uasin Gishu to Improve water networks		

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	2022	2021
28 County Government of Uasin Gishu (Borrowing)	Kshs	Kshs
Loans	303,333,333	335,270,833
Principal paid	(23,333,333)	(31,937,500)
	<u>280,000,000</u>	<u>303,333,333</u>
29 Expansion of Chebara Water Works Loans	Kshs	Kshs
Loans	292,147,457	298,561,015
Principal paid	(6,413,907)	(6,413,558)
	<u>285,733,550</u>	<u>292,147,457</u>
30 Kesses/ Lessos Augmentation Works Loans	Kshs	Kshs
Loans	197,148,589	201,662,668
Principal paid	(4,514,079)	(4,514,079)
	<u>192,634,510</u>	<u>197,148,589</u>
31 Trade and other payables	Kshs	Kshs
Trade	61,273,116	83,853,999
Payroll	(7,571)	(43,000)
Cleansing charges	87,009,979	75,278,869
Accrued expenses payable	220,636,018	227,708,110
Advance payments	15,458,493	13,271,794
	<u>384,370,035</u>	<u>400,069,772</u>
32 Customer deposits	Kshs	Kshs
Balance B/f	93,665,513	86,311,962
Additions	5,820,157	7,353,551
Balance c/f	<u>99,485,670</u>	<u>93,665,513</u>
These are deposits received from customers pursuant to water supply agreements.		
33 Provisions	Kshs	Kshs
Audit fees	696,000	1,044,000
VAT withholding	2,069,312	1,239,322
	<u>2,765,312</u>	<u>2,283,322</u>
34. Transactions with related parties	2022	2021
a) Sales to related parties	Kshs	Kshs
Sales to County Government Uasin Gishu	55,116,997	52,079,303
	<u>55,116,997</u>	<u>49,850,455</u>

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	2022 Kshs	2021 Kshs
b) Grants from County Government Uasin Gishu	10,700,000	49,519,226
	<u>10,700,000</u>	<u>49,519,226</u>
c) Key Management Compensation	2022 Kshs	2021 Kshs
Board allowances and Honoraria	15,502,098	13,521,520
Key Management allowance	25,733,781	18,723,387
	<u>41,235,879</u>	<u>32,244,907</u>
35.(a) Contingent Asset	2022 Kshs	2021 Kshs
Grant receivable from CGUG	10,700,000	
Total	<u><u>10,700,000</u></u>	
35.(b) Contingent Liabilities	2022 Kshs	2021 Kshs
Court cases against the Company		10,000,000
Bank guarantees in favour of WASREB	5,500,000	5,500,000
Total	<u><u>5,500,000</u></u>	<u><u>5,500,000</u></u>
36. Retained Earning	2022 Kshs	2021 Kshs
Opening Balance	1,333,596,336	1,214,423,038
Surplus	18,480,953	119,173,299
Valuation of biological assets	29,964,287	
Closing Balance	<u><u>1,382,041,576</u></u>	<u><u>1,333,596,336</u></u>

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.

37. 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

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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 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
At 30 June 2021			
Receivables	from customer		
transactions		567,515,065	567,515,065
Bank balances		258,572,221	258,572,221
Total		826,087,286	826,087,286

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

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

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(B): PROGRESS ON THE REPORT OF THE AUDITOR GENERAL ON ELDORET WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

Reference No. Report of the Auditor General	Issue / Observations from Auditor	Management comments/ Response / Status	Status Resolved or Not Resolved	Timeframe
A)REPORT ON THE FINANCIAL STATEMENTS				
1.0	<p>1. Estimated Water Supply Bills</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 reflects sales of Kshs. 774,793,068 which include sale of water of Kshs. 535,288,862 as disclosed under note 7 to the financial statements. However, an analysis of the ledgers availed for audit review revealed that the company issued estimated water bills totaling Kshs. 37,139,629 approximately 7% of the total bills. This is contrary to Section 7.5 of the Eldoret Water and Sanitation Company Ltd Financial Regulation and Procedures Manual 2016.</p> <p>Under the circumstances, the accuracy and completeness of sales of water of Kshs. 535,288,862 for the year ended 30 June, 2021 could not be confirmed.</p>	<p><i>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.</i></p> <p><i>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.</i></p> <p><i>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 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.</i></p> <p><i>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.</i></p> <p><i>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</i></p>	Resolved	21/02/23

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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																																								
		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.																																										
2.1	<p>2. Excluded Assets</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs. 2,590,301,329 as disclosed in Note 14(a) of the financial statements. The balance excludes undetermined value of eight (8) parcels of land which were transferred to Eldoret Water and Sanitation Company Limited from the defunct Eldoret Municipality. Further, management procured eight (8) laptops for board members at a cost of Kshs. 1,084,632. However, the cost of laptops was charged to board expenses. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 2,590,301,329 as at 30 June, 2021 could not be confirmed.</p>	<p>Land - The assets were acquired from the defunct Eldoret Municipal Council (EMC). The company pursuing processing of the ownership documents. Once all relevant documents are available, valuation will be done to confirm the cost and the amount will be recognized in the asset register and financial statement. The updates are as follows</p> <table border="1" data-bbox="721 913 1182 1912"> <thead> <tr> <th>Land parcel</th> <th>Acreage</th> <th>Status as at 30th June 2022</th> </tr> </thead> <tbody> <tr> <td>ELDOW AS HQS Eldoret Municipality Block 10</td> <td>7.11 Ha</td> <td>Recommendation for letters of circulation of no objection is complete, awaiting approval of the same by the County Land Commission.</td> </tr> <tr> <td>Sosiani Treatment Works LR 7914/6</td> <td>1.92 Ha</td> <td>The county director still negotiating with owners on public utility allocation</td> </tr> <tr> <td>Kapsoya Treatment Works LR 8139</td> <td>1.55 Ha</td> <td>Land conveyance on progress, awaiting transfer to ELDOWAS</td> </tr> <tr> <td>Kipkaren Dam</td> <td></td> <td>The company to initiate the transfer</td> </tr> <tr> <td>Ellegirini Dam</td> <td>10.5 Ha</td> <td rowspan="4">Individual land owners have been engaged to allow processing of titles</td> </tr> <tr> <td>Kaptagat - LR 211</td> <td>11.0 Ha</td> </tr> <tr> <td>-LR 204</td> <td>0.25 Ha</td> </tr> <tr> <td>-LR 8123</td> <td>31.79 Ha</td> </tr> <tr> <td>-LR 10919</td> <td>1.32 Ha</td> <td></td> </tr> <tr> <td>-LR 10918</td> <td></td> <td></td> </tr> <tr> <td>Quarry Treatment Works Parcel 15/2325</td> <td>17.07 Ha</td> <td rowspan="3">The county Government to expedite the land conveyance forwarded by the administrators</td> </tr> <tr> <td>15/2326</td> <td>6.057 Ha</td> </tr> <tr> <td>15/2308</td> <td>0.37 Ha</td> </tr> <tr> <td>Two River Dam</td> <td></td> <td>Survey beacon establishment completed on the old dam land. Awaiting the outcome of current new dam proposed</td> </tr> </tbody> </table>	Land parcel	Acreage	Status as at 30 th June 2022	ELDOW AS HQS Eldoret Municipality Block 10	7.11 Ha	Recommendation for letters of circulation of no objection is complete, awaiting approval of the same by the County Land Commission.	Sosiani Treatment Works LR 7914/6	1.92 Ha	The county director still negotiating with owners on public utility allocation	Kapsoya Treatment Works LR 8139	1.55 Ha	Land conveyance on progress, awaiting transfer to ELDOWAS	Kipkaren Dam		The company to initiate the transfer	Ellegirini Dam	10.5 Ha	Individual land owners have been engaged to allow processing of titles	Kaptagat - LR 211	11.0 Ha	-LR 204	0.25 Ha	-LR 8123	31.79 Ha	-LR 10919	1.32 Ha		-LR 10918			Quarry Treatment Works Parcel 15/2325	17.07 Ha	The county Government to expedite the land conveyance forwarded by the administrators	15/2326	6.057 Ha	15/2308	0.37 Ha	Two River Dam		Survey beacon establishment completed on the old dam land. Awaiting the outcome of current new dam proposed	Resolved	21/02/23
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				activities of expansion by National Government.		
		Old Sewage land Block 15 Eldoret Municipality LR10780	11.4 Acres	Land search carried out and IR number obtained, land conveyance to begin.		
2.2		<p>Laptops Due to the unprecedented covid-19 pandemic and its effect on in person meetings, the Board approved purchase of Laptops to facilitate urgent board activities. The laptops were expensed directly under the board expenses budget line item and not capitalized hence not included under Property, Plant & Equipment amount but reported in the Statement of Financial Performance. The laptops have a useful life of less than three years until when they are fully depreciated. The company will prepare a policy document guiding on handling of such purchases. The WASREB regulations - Ref WASREB/COPGOV/504 VOL.XXV (41) guides that all allowances and other expenditure of the Board need to be capped and expensed accordingly.</p>			Resolved	21/02/23
3.1	<p>2. Trade and other Receivables</p> <p>3.1 Long outstanding Trade Receivable</p> <p>The statement of financial position reflects trade and other receivables balance of Kshs. 625,746,774 which as disclosed in Note 18 includes trade receivables amount of Kshs. 559,098,452. Review of the receivables ageing analysis revealed that debts totaling Kshs. 396,152,237 have been due for over one (1) year.</p>	<p>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.30,722,275.00. This reduction in trade receivables reduced from a figure of Ksh. 580,955,796 in 2019/2020 to the current figure of Ksh. 559,098,452. We have also engaged various debt collection methodologies including auctioneers, institutional debt collectors, and also credit reference bureaus as a mechanism to enhance debt collection. We have also instituted alternative dispute resolution mechanism through the Attorney General's office in Eldoret to ensure that disputed debts are agreed upon. Further, the company has created payment plans for the debtors as to ensure easy and phased recovery and its bearing fruits so far so good.</p>				

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4	<p>3. Grant National Housing</p> <p>The statement of financial position as at 30 June, 2021 reflects Grant National Housing balance of Kshs.132,823,827 and as disclosed in Note 22 to the financial statements. However, the grant/loan agreement between the Eldoret Water and Sanitation Company limited and the National Housing was not provided for audit review. Consequently, the accuracy and completeness of the grant balance of Kshs.132,823,827 as at 30 June, 2021 could not be confirmed.</p>	<p><i>Under the project, the National Housing developed a new sewer trunk targeting the low income area of Langas. The National Housing directly implemented the project by engaging a contractor to undertake the works. As per the Contract, the National Housing was the employer while ELDOWAS through the Eldoret Municipality was the beneficiary agency. The project account was operated by the National Housing as National Government Project. The Project implementation agreement was signed between the National Housing and the Eldoret Municipality. The taking over certificate (Contract No.MH/HID/03/2008-2009 has been provided</i></p>	Resolved	21/02/23
BASIS FOR CONCLUSION				
5	<p>1.0 Non-Revenue Water</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 reflect sales of Kshs. 774,793,068 which includes sales of water of Kshs. 535,288,862. Analysis of the water production and billing records revealed that the company produced a total of 15,257,210m³ of water but only billed a total of 8,870,969m³ leaving a balance of 6,386,241m³ or approximately 41% of the total production as non- revenue water. This is 16% above the recommended maximum of 25% by the Water Services Regulatory Board (WASREB) guidelines. No satisfactory explanation was provided for the high percentage of un-accounted for water.</p> <p>In the Circumstances, the high volume of Non-Revenue water impacted negatively on the Company's profitability and its long-term sustainability</p>	<p><i>Non-Revenue Water" (NRW) – defined as the difference between the amount of water put into the distribution system and the amount of water billed to consumers.</i></p> <p><i>Water loss is water that never reaches the customer. Water loss has impact on profitability and water quality. Water loss greatly affects operational costs and treatment. Non-revenue water is the water that is lost before it reaches the customer.</i></p> <p><i>When you focus on water loss, there are two types you need to distinguish between. Apparent losses and real losses. When your water loss is caused by unauthorized consumption or metering inaccuracies it can be categorized as apparent losses.</i></p> <ul style="list-style-type: none"> ✓ <i>The Country global NRW values is currently at 45% against the International best practice standard of 20% to 25%. The Country NRW value decreased from 49%. The Country currently losses around 11 billion shillings per year, which could have been put in funding the water and sanitation sector.</i> ✓ <i>In the financial year 2020-2021, Eldoret Water and Sanitation Company had its NRW value at 39%. The company has put in place measures to reduce the NRW values which is currently at 34%as at January 2023.</i> ✓ <i>The company was able to reduce the NRW values by putting in place strategies that bore fruits in its reduction.</i> <p><i>The company has put in place comprehensive NRW reduction strategies that are being implemented in order to reduce non-revenue water to acceptable</i></p>	Resolved	21/02/23

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		<p>industry level of 25%;</p> <p>1) Accuracy of Production Meters – The Company to ensure 100% accuracy of production meters through quarterly calibration and prompt replacement of defective meters.</p> <p>2) Surveillance – The company will develop and implement daily leak detection and surveillance schedule</p> <p>3) Repair of pipe Leaks/Bursts -Ensuring Prompt Repairs of Leaks and Burst with emphasis on Permanent solutions by ensuring;</p> <p>a) Repair teams are adequately resourced and equipped.</p> <p>b) All reported cases of leaks or bursts to be recorded and logged in the work order application based in the ICT System.</p> <p>c) Replacement of identified/prioritized aged, low quality or shallow pipelines.</p> <p>d) Constant monitoring of leak/burst occurrence and response time</p> <p>e) Devolution of repair teams to territories with the Areas.</p> <p>4) Re-routing/Relocation of water pipelines- Water Pipelines passing through farms, those in the middle of the road to be re-routed to edges of the road reserves to avoid illegal water use and ensure the consumers install their meters next to the gate.</p> <p>5) Network Maintenance - Development and adherence of the water network maintenance schedule to include;</p> <p>a) Inspection and servicing of all appurtenances</p> <p>b) Scheduled cleaning (Flushing) of the entire network</p> <p>c) Metering of fire hydrants within the CBD</p> <p>6) Pressure Management –</p> <p>a) The company to map high pressure zones/areas and install Pressure Reducing Valves (PRVs).</p> <p>b) Develop and implement Pressure management program</p> <p>7) District Metered Areas(DMA) and Sub-DMA's</p> <p>a) Creation of identified 18 District Metered Areas(DMA) with Sub-DMA's (Procurement and installation of Meters with associated fittings</p> <p>b) Monthly calculations of NRW volume and ratio for each DMA'S to be done and abnormal flow monitoring for quick leak detection of bursts,leaks and illegal water use.</p> <p>c) Continuous monitoring through water Balance to the lowest possible unit/route</p>		

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		<p>9) Metering and Billing –</p> <p>a) Proper installation of meters as per company policy</p> <p>b) Proper disconnection and reconnection of water supply at customer points using rubber seals as per company policy. Tampering of gate valves prohibited.</p> <p>c) Develop and implement annual meter servicing and calibration program</p> <p>d) Operationalize meter testing lab to provide support to all territories</p> <p>e) Replacement of identified malfunctioning mechanical meters with ultrasonic meter type for large consumers.</p> <p>f) Domestic meters - Extension of distribution lines and replacement of water meters in areas where main water pipeline have been replaced. Replacement of meters to be informed by outcome of meter testing</p> <p>g) Meter Relocation - Move meters to 1 meter from perimeter of the property as per policy</p> <p>h) Timely Meter Reading and Billing - Target 98% accuracy in Meter Reading and Billing. Meter reading should be an accurate complete undertaking. Capacity and numbers of meter readers need to be enhanced. The meter readers should be well equipped with facilities, uniforms and on capacities such as public relations and communication. Their terms of service need to be improved so as to enhance motivation.</p> <p>i) Monitoring of disconnected/dormant accounts - Implementation of the debt recovery policy</p> <p>j) Create meters' database - History of meters, households and business location and up to date contacts, year of installation, their specification and location information are among critical data that are required in sustainable management of NRW. This will assist in SMART calibration and also replacements of aging meters to ensure seamless transitions and minimize loss of water.</p> <p>10) Curbing of illegal water use.</p> <p>a) Enforcement Team - Set up a team with adequate No of Personnel with sufficient skills and experience, Provision necessary support including secure office space, Vehicles and clear channel of communication, engage security apparatus in liaison with the office of County Commissioner.</p> <p>b) Legal Framework - Liaise with County Government to establish laws to curb illegal water use</p> <p>c) Reward Mechanisms –</p> <p>(i) Reward for customers/staff (whistle blowers) reporting illegal water use to enhanced to Kshs 5,000 from Kshs 1,000 to motivate whistle blowers</p> <p>(ii) Establishment of confidential reporting mechanism for whistle blowing</p> <p>10) Devolution (Territorial Management) - Setup</p>		

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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										
		<p>Territorial teams to comprise of territorial leader, meter reader, artisans' repairs, disconnection, servicing/replacement and new connection) and helpers.</p> <p>11)Communication and Public relations strategy to curb NRW - Sensitization of staff and general public on NRW and creation of partnership with all stakeholders</p> <p>a)Set up a robust communication team with adequate No of Personnel with sufficient skills and experience.</p> <p>b)Public awareness, SMART address of public complaints, informatics, continuous engagements on social media, creating a YouTube channel, media engagements, organizing public initiatives on NRW in our locality, roadshows and concerts, leaflets, and notices, newspaper supplements, road shows, Radio/TV adverts and talk shows, Documentaries, Public Barasas, school and and using social media</p>												
6.0	<p>2.0 Unapproved Overdrawing of Bank Account</p> <p>The statement of financial position reflects cash and bank balances of Kshs.258,572,221 which as disclosed in note 19 to the financial statements includes the Current Account with an Overdrawn Balance of Kshs.9,058,294.However, No board approval for the bank overdraft was provided for audit review, contrary to Section 119 (4) of the Public Finance Management Act, 2012 which requires that an Accounting Officer for a county Government Entity shall not cause a bank Account of entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity, if any</p> <p>In the Circumstances, Management was in breach of the Law.</p>	<p>The company operates a Savings Account No. 0152017704300 and an operational/current account No. 0102017704300 in Standard chartered bank.</p> <p>As of 30th June 2021, the bank statement of Account No. 0102017704300 (Operational account) had an actual balance of Kshs. 2,076,858.30 (positive) and reconciled cashbook balance of Kshs. -9,058,294. The unrepresented cheques amount was Kshs. 11,135,151.95 having considered the statutory obligations for the month of June 2021 where others fall due on 9th of the following month.</p> <p>Reconciliation summary is as shown below</p> <table border="1" data-bbox="746 1451 1198 1715"> <thead> <tr> <th>Account No.</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>0102017704300</td> <td></td> </tr> <tr> <td>Actual Bank Balance (As per bank statement)</td> <td>Ksh. 2,076,858.3</td> </tr> <tr> <td>Less Unrepresented Cheques</td> <td>Ksh. 11,135,151</td> </tr> <tr> <td>Reconciled Cashbook balance</td> <td>Ksh. -9,058,293</td> </tr> </tbody> </table> <p>A transfer of Kshs 9,500,000 was initialized but reflected on 1st July 2021 as per the bank statement (Appendix 6.0.2). Furthermore, the reconciled cashbook figures relating to the Standard chartered bank accounts had a net balance figure of Kshs. 1,701,605 made up of {10,759,899 for the savings account and -9,058,294 for the current account} - Refer to note No. 19 of the financial statements for FY 2020/2021). The actual bank balances for the two accounts also had positive closing balances i.e. Ksh. 10,759,899 and Kshs. 2,076,858.30 for the Savings account no. 0152017704300 and an operation/current</p>	Account No.	Amount	0102017704300		Actual Bank Balance (As per bank statement)	Ksh. 2,076,858.3	Less Unrepresented Cheques	Ksh. 11,135,151	Reconciled Cashbook balance	Ksh. -9,058,293	Resolved	21/02/23
Account No.	Amount													
0102017704300														
Actual Bank Balance (As per bank statement)	Ksh. 2,076,858.3													
Less Unrepresented Cheques	Ksh. 11,135,151													
Reconciled Cashbook balance	Ksh. -9,058,293													


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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
		account No. 0102017704300 respectively		
7.0	<p>3.0 Staff Costs</p> <p>3.1 Irregular Payment of Acting Allowances The statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 reflects administration costs figure of Kshs. 837,927,741 which includes staff costs amount of Kshs. 358,315,157 as disclosed in Note 12(a) to the financial statements. Review of the documents provided revealed that staff costs included acting allowance of Kshs. 2,739,188.66 paid to staff who served in acting capacity for more than six (6) months. This is contrary to Section F.5 of the ELDOWAS Human Resource Policy and Procedure Manual, 2017 which provides that acting allowance will not be payable to an officer for more than six (6) months. In the Circumstances, management was in breach of the ELDOWAS Human Resource Policy and Procedure Manual.</p>	<p><i>The company undertook Human Resource Audit and a report with its recommendations was issued and received by the company. One of the key milestone of the report is the proposed establishment of 391 to provide an exit of Acting positions and vacant posts.</i></p> <p><i>The company initiated the process of appointment to the vacant positions and All acting positions were revoked in February 2022 to allow for filling of the vacant position.</i></p>	Resolved	21/02/23
	<p>3.2 Failure to Comply with the Provisions on Inclusivity on Ethnic Diversity</p> <p>During the year, the Company had a total of two hundred and ten (210) permanent staff members out of which one fifty-three (153) employees or 72% of the total work force were from Dominant Community. This is contrary to section 7 (2) of the National Cohesion and Integration Act, 2008, which requires that no public establishment shall have more than one third of its staff from the same ethnic community. Under the circumstances, the Management was in breach of the law.</p>	<p><i>The company was incorporated in 1997 of which 169 numbers of staff were transferred from the defunct Eldoret Municipality. Currently all recruitment of staff in the company is done through a competitive process which involves advertisements in regard to every position whether an external and internal source in which qualified candidates or employees with requisite skills are taken on board through elaborate process.</i></p> <p><i>All interested candidates were accorded equal opportunity through the process.</i></p>	Resolved	21/02/23
8.0	<p>4.0 Over expenditure of Board expenses-</p> <p>The statement of profit or loss and other comprehensive income reflects administration costs amount of Kshs. 837,927,741 which includes board expenses amounting to Kshs. 13,531,520 as disclosed in Note 12(a) to the financial statements. This is above the Maximum allowable by the Water service regulatory Board (WASREB) of the higher of Kshs. 12,000,000 and 1% of Annual Turnover by Kshs. 1,531,520. In the circumstances, Management was in breach of the WASREB guidelines.</p>	<p><i>The board calendar had numerous activities including recruitment of General Manager Financial Services and General Manager Commercial and Special committee meetings to discuss issues related with company matters. The company has initiated discussions with WASREB on the need to review the ceiling amounts.</i></p>	Resolved	21/02/23
9.0	<p>5.0 Trade Creditors and Other Payables</p> <p>Disclosed in note 28 to the financial statements is trade and other payables balance of Kshs.400,069,773 which includes accrued payable balance of kshs.227,708,110 out of which Kshs.186,087,504 was</p>	<p><i>1) ELDOWAS entered into a lease of assets agreement with the defunct Municipal Council of Eldoret on 27th May,2002 for the payment of an annual lease fee to the Municipal council of Eldoret. As per the agreement, the company is required to pay the council lease hire</i></p>	Resolved	21/02/23

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	<p>due to Uasin Gishu County Government on account of lease charges which has been outstanding since 30 June 2016. Review of records provided revealed that the company entered into lease agreement with the defunct Municipal Council of Eldoret on 27 May 2002 for the payment of an annual lease amount of Kshs. 42,770,000. Further, it is not clear why the company shareholders in an extraordinary meeting held on 22 January, 2016, resolved to stop further payment of the lease charges to the County Government of Uasin Gishu.</p> <p>In the circumstances, management was in breach of the lease agreement and risks law suits due to non-payment of the lease charges.</p>	<p><i>charges equivalent to 2.75% of the value of assets.</i></p> <p>2) <i>The company had 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 Appendix 9.1 – Minutes of the meeting)</i></p> <p>3) <i>The shareholders later resolved 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. This is because the company was to take over the duty of repaying the loans relating to the assets taken over by the company thus the funds that would have been used to pay lease fee to instead service the loan with the National Treasury.</i></p> <p>4) <i>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</i></p> <p>5) <i>The company also continued to pay the accrued levies to LVNWWDA where in the year 2020/2021 Kshs. 11,786,820 was paid.</i></p> <p>6) <i>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 conclusion of an addendum to the lease agreement between county government of Uasin Gishu and ELDOWAS.</i></p>		

Signed 
Mr. Peter Kibet Arap Biwott
Managing Director
 Date 23-3-2023

Signed 
Mr. Andrew Chelogoi
Chairman (Board of Directors)
 Date 22.3.2023

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(C): INTER-ENTITY TRANSFERS

NAME:		ELDORET WATER AND SANITATION CO. LTD		
Break down of Transfers				
FY 2021/22				
		Bank Statement Date	Amount (KShs)	The FY to which the amounts relate
a.	Recurrent Grants			
	WSTF- CLSG	25 th January 2022	83,248,809	2021/22
	Total		83,248,809	
b.	Development Grants			
	CGUG on project Financing	8 th November 2021	10,700,000	2021/22
	Total		10,700,000	

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 _____