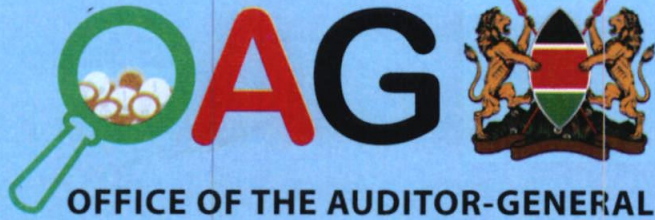


REPUBLIC OF KENYA



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COMMITTEE
CLERK AT THE TABLE Maalim

THE AUDITOR-GENERAL

ON

**KERICHO WATER AND SANITATION
COMPANY LTD**

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



Miji Saji Kila Wakati

KERICHO WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Kericho Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024



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1. ACRONYMS AND GLOSSARY OF TERMS

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>KEWASCO</i>	<i>Kericho Water and Sanitation Company Limited</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>O & M</i>	<i>Operation and Maintenance</i>
<i>DWQ</i>	<i>Drinking Water Quality</i>
<i>GIS</i>	<i>Geographical Information System</i>
<i>WAN</i>	<i>Wide Area Network</i>
<i>WSDP</i>	<i>Water Sector Development Program</i>
<i>LVSWWDA</i>	<i>Lake Victoria South Water Works Development Agency</i>
<i>KPI</i>	<i>Key Performance Indicator</i>

2. KEY ENTITY INFORMATION

Background information

Kericho Water and Sanitation Company Limited (KEWASCO Ltd) was established by the Kenyan Companies Act. It was incorporated on 15th October 1997. At county level, the company is represented the County Executive in charge of Water and Environment who together with the board of directors are responsible for the general policy and strategic direction of the Company. The company is domiciled in Kenya.

KEWASCO took over the operations of Tililbei Water and Sanitation Company on 2nd of November 2018 operating is the rural cost center.

Principal Activities

The company continues to provide water and sanitation services within the licensed service area of Kericho County and its environs.

Directors

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

1. Mrs Roselyn Langat Ngeny - Chairman -Left on 6^h September 2024
2. Hon Geoffrey Ruto - Member - Left on 6^h September 2024
3. Hon Rosemary Rop - Member Left on 6^h September 2024
4. Hon Leonard Ngetich -Member Left on 6^h September 2024
5. CPA Francis Kipkoech Langat - Member Left on 6^h September 2024
6. Mr Apollo K. Cheruiyot -Member - Left on 6^h September 2024
7. Mrs Suzan Cherotich Rero - Member - Left on 6^h September 2024
8. Mr. Kigen Ronald - Member - Left on 6^h September 2024
9. Mrs Charlody Chepkorir Member - Left on 6^h September 2024
10. Mr Julius Tanui Member - Left on 6^h September 2024
11. Mr Kibii Chepkwony Siele Member -Appointed on 1st July 2020

Corporate Secretary

Equity Registrars and Secretaries,
P.O. Box 18-40107,
Muhoroni

Registered Office

Kericho Water and Sanitation Company Limited
P O Box 1379-20200,
KERICHO.

Corporate Headquarters

Kericho Town,
Temple Road, next to Telkom House
Kericho Water and Sanitation Company Limited
P O Box 1379-20200,
KERICHO.

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

Corporate Contacts

Telephone: (254) 2020602

E-mail: info@kewasco.co.ke

Website: www.kewasco.co.ke

Corporate Bankers

- | | |
|--|---|
| 1. Cooperative Bank of Kenya,
Kericho Branch,
P o Box 1742-20200,
Kericho | 2. Kenya Commercial Bank,
P o Box 1742-20200,
Kericho |
| 3. Family Bank
P o Box 1376,
Kericho | 4. Equity Bank
Kericho Branch
Kericho |
| 5. Posta
Kericho Branch | |

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way



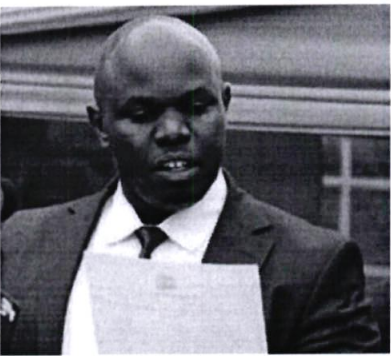

P.O. Box 30084GPO 00100

Nairobi, Kenya




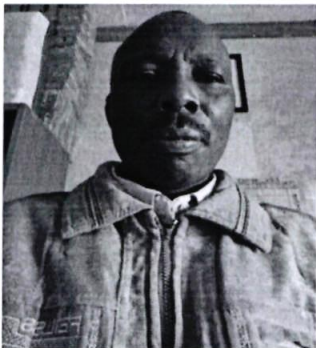
Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Bett & Company Advocates,
Isan Building,
Kericho

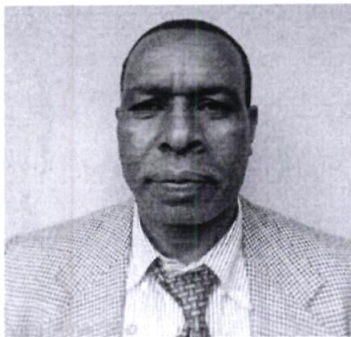
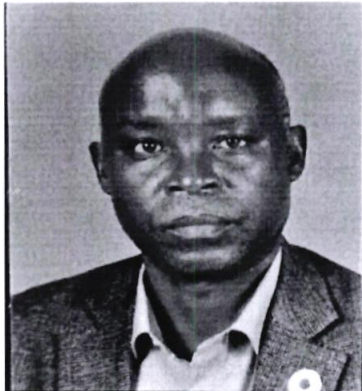

3. THE BOARD OF DIRECTORS

<p>1. Mrs Roselyn Langat- Ngeny</p> 	<p>Mrs. Roselyn Langat- Ngeny is the board chair. She joined the Board of Directors on 1st October 2020 representing the business and manufacturing community. She sits as the Chair of the Board of Directors. She holds Masters of Arts degree in Gender, Women and Development Studies. She is a businessperson with vast experience in management and leadership having worked as Public relations officer with Kenya Post and Telecommunication Company and Telkom Kenya Ltd. She has other working experience with Electoral Commission and milling Plants.</p>
<p>2. Hon. Rosemary Rop</p> 	<p>Hon. Rosemary Rop joined the Board of Directors in November 2022. She is representing the shareholder. Hon. Rosemary Rop is currently the County Executive Committee member for Water, Environment, Energy, Forestry and Natural Resources. Ms. Rop is a member of the Technical Committee of the board.</p>
<p>3. Hon. Leonard Ngetich</p> 	<p>Hon. Leonard Ngetich is an expert in finance and economic planning. He joined the Board of Directors in November 2022 representing the County Government of Kericho. Currently he is the County Executive in Charge of Finance and Economic Planning/ Head of County Treasury – a critical portfolio in the County Government. He sits in the Finance and Administration Committee of the Board</p>
<p>4. CPA Francis Kipkoech Langat</p> 	<p>Mr Langat, an accountant by profession joined the board of directors on 1st October 2020. He holds a Masters in Business Administration –finance option and a member of ICPAK. Mr Langat Chairs the Finance and Administration Committee of the Board. He has over 10 years’ experience in finance and auditing in the public sector.</p>

Kericho Water and Sanitation Company Limited
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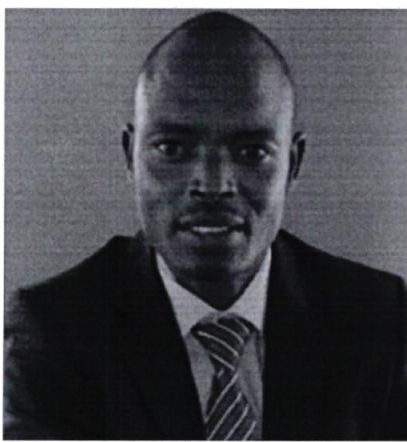
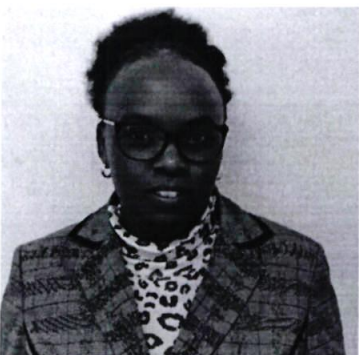
<p>5. Eng Kigen Ronald</p> 	<p>Mr Kigen, an Agricultural Engineer by profession. He joined the board of Directors on 1st October 2020 as a director representing Rural Customers. He serves as the chair of the Technical Services committee of the Board.</p>
<p>6. Ms Rero Suzan Cherotich.</p> 	<p>Ms Rero .She joined the board on 1st October 2020 as a director Representing Institutions. She holds a Bachelor of Commerce Accounting option and has a CPA Part 11.She is the chair Audit and Risk Committee.</p>
<p>7. Ms. Chepkorir Charlody</p> 	<p>Ms.Chepkorir Charlody She joined the board on 6th September 2019 representing Youth, Women and Person with Disability. She holds a Bachelor in Business Management –Purchasing and Supplies from Moi University She has over 3 years’ experience in public administration. She is a member of the Finance and Administration Committee of the Board</p>
<p>8. Mr Simon Serem</p> 	<p>Mr Simon Serem joined the board on 6th September 2020 representing private Institution. He holds a Bachelor of Education from Moi University. He sits in the Audit and risk Committee of the Board.</p>

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<p>9. Mr. Julius Tanui</p> 	<p>Mr Julius Tanui, a teacher. Julius joined the board on 6th September 2019 representing urban consumers. He holds a Bachelor of Education from Egerton University .He has over 20 years' experience in teaching.</p> <p>He sits in the Technical Committee of the board as well as the Audit And Risk Committee of the Board.</p>
<p>10. Mr. Apollo Cheruiyot</p> 	<p>Mr Apollo Cheruiyot was appointed to the board of directors on 10th February 2022 representing the County Government of Kericho.He is a trained Social Scientist and sustainable development expert from Moi University . He has extensive experience in rural Sociology and economics. Mr Cheruiyot has over 25years experience in both county and national government operations.</p> <p>He sits in the Finance and Administration Committee of the Board.</p>
<p>11. Eng Kibii Chepkwony Siele</p> 	<p>Eng. Kibii Siele is the Managing Director and Secretary to the Board .He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University). Prior to his appointment as an MD he served as Regional Manager for KEWASCO rural.</p> <p>His work experiences spans from being a part time lecturer at Egerton University, a research assistant on climate change and a lead researcher on renewable energy with Africa Centre of Technology Studies (ACTS) and East Africa Regional Climate Innovation Network Egerton chapter (EARCIN).In addition, he has wide experience in water management matters during his tenure as a sub-county water engineer and later as head of monitoring and evaluation at the department of water services Bomet County. Furtherance, as a technical services manager at Tililbei Water and Sanitation Company where at some point as acting MD</p> <p>He has over 10 year work experience in the water sector. He is the Board Secretary.</p>

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

4. KEY MANAGEMENT TEAM

<p>1. Eng. Kibii Chepkwony Siele</p> 	<p>Eng. Kibii is the Managing Director and Secretary to the Board. He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University). Prior to his appointment as an MD he served as Regional Manager for KEWASCO rural.</p> <p>His work experiences spans from being a part time lecturer at Egerton University, a research assistant on climate change and a lead researcher on renewable energy with Africa Centre of Technology Studies (ACTS) and East Africa Regional Climate Innovation Network Egerton chapter (EARCIN).In addition, he has wide experience in water management matters during his tenure as a sub-county water engineer and later as head of monitoring and evaluation at the department of water services Bomet County. Furtherance, as a technical services manager at Tililbei Water and Sanitation Company where at some point as acting MD</p> <p>He has over 10 year work experience in the water sector.</p>
<p>2. CPA Philis Chelangat</p> 	<p>CPA. Philis Chelangat joined KEWASCO as Commercial and Finance Manager on 2nd October 2017. She holds MBA Finance Option (KU), Bachelors in Business Management accounting option (Moi) and a Diploma in Business Management (KIM). CPA-K and a member of ICPAK. Prior to her appointment, she worked as an Accountant at the Salvation Army Territorial Headquarters then as an Internal Audit Manager, Commercial and Finance Manager at Tililbei Water and Sanitation Company and She possesses over 10 years' experience in financial management and 2 years in internal auditing.</p>
<p>3. Eng. Hillary Ngenoh</p>	<p>Mr. Hillary Ng'enoh is a registered graduate engineer with EBK and IEK. He joined KEWASCO on 1st September 2017 as Technical Services Manager. He is a holder of MSc. degree in Water and Environmental Engineering (University of Surrey U.K) and a BSc. (Hons) degree in Civil Engineering (JKUAT). He previously worked with County Government of Kiambu as Assistant Resident engineer for Ndumberi-Githunguri road, Questworks Company Limited as graduate structural engineer, CESP Kenya Ltd as Water and waste water research and development project manager as well as at the University of surrey centre of Environmental Health as a researcher.</p>

Kericho Water and Sanitation Company Limited
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<p>4. Mr Rasto Chepkwony</p>	
<p>5. CPA. Mercy Cherotich</p> 	<p>CPA. Cherotich joined KEWASCO on 1st August 2014 as Internal Audit Manager. She holds a Master in Business Administration-Finance, Bachelor of Arts (Economics and Sociology) and a Certified Public Accountant of Kenya (CPA-K). Mercy has over 10years' experience as internal Audit manager and previously worked with Aga Khan University Hospital and Internal Audit Officer.She has also worked as an accounts assistant and audit assistant at Nairobi Hospital.</p>
<p>6. Mr. Patrick Korir</p> 	<p>Patrick Korir was appointed Procurement Manager on 1st September 2015. He holds Bachelor's Degree in Purchasing and Supplies Management from European Business School, Cambridge, England and Masters in Business Management (Strategic Mgt option) from University of Kabianga and member of Kenya Institute of Supplies Management. He joined the defunct Municipal Council in 2002 as Clerk. He has over 15 years' experience In procurement</p>
<p>7. Mrs Clara Rono</p> 	<p>Clara Rono was appointed as the Human Resources and Administration Manager on 1st March 2021. She holds a Master in Business Administration-Human Resources Management and a Bachelor of Business Administration</p>

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

5. CHAIRMAN'S STATEMENT

I am pleased to present our annual financial report for the 2023/2024 fiscal year. Despite facing significant challenges, our institution has made remarkable progress. Notably, we have seen an improvement in billings, even amidst the difficulties posed by climate change and its impact on river volumes which consequently affect water available for sale.

Kericho Water and Sanitation Company (KEWASCO) remains committed to providing exceptional water and sewer services to our residents, aligned with the established guidelines and in conformity to our tariff. During this financial year under review, we have also enhanced our operations by developing standard operating procedure culminating into ISO certification a process which was supported by KfW Bank of Germany. This certification will open more investment avenues with sector partners and has already build confidence among our peers.

As Board Chair, I have prioritized the establishment of policies that foster a supportive and tranquil working environment for KEWASCO management and staff. I am also proud to highlight that the recently released impact report number 16 from the Water Services Regulatory Board (WASREB) reflects an improvement of our service provision notably in water quality and revenue collection efficiency and metering ratio among others, these are key indicators on commercial viability. Building on this positive momentum, KEWASCO has attracted several partners willing to invest in our initiatives. Currently, we are engaged in projects supported by donors, including last-mile water connections from Kapsoit to Sosiot, a public sanitation facility at Kapkatet, and additional water supply infrastructures in Ainamoi. Upon completion, these projects will enhance our water and sanitation coverage significantly.

However, our rural cost centre continues to face challenges, including low water flow from Bomet and frequent interruptions due to inefficiencies of Bomet Water Company and delays in payments from the County Government of Kericho. These issues often hinder us from meeting our budgetary targets. Additionally, the County Government's commitment to subsidizing salary harmonization has not been fulfilled, and delays in support towards bulk water and electricity have led to further supply interruptions.

We are still awaiting the ordinary share capital of Kshs 8,100,000 which is Kshs 8,000,000 for urban and Kshs 100,000 for urban and rural cost centres respectively. This outstanding amount has been an ongoing audit query.

The company has identified key areas for intervention, including high Non-Revenue Water (NRW), high personnel expenditures relative to operations and maintenance (O&M), and low water coverage. Currently, NRW averages 53%, primarily due to physical losses from road construction, aging infrastructure, and illegal connections.

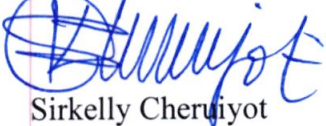
To address these issues, KEWASCO has developed a comprehensive roadmap targeting NRW reduction. Our interventions will include enhanced surveillance of pipelines and improved response

Kericho Water and Sanitation Company Limited
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times for leakages and bursts. The Board has also approved a NRW Policy to guide our efforts in both urban and rural cost centres.

KEWASCO is committed to our core values of Transparency, Integrity, Professionalism, Innovativeness, and Customer Focus, which drive us toward our vision of becoming '*a leading and self-sustaining water and sanitation service provider in Kenya*'.

Thank You,



Sirkelly Cheruiyot

Chair Board of Directors

6. REPORT OF THE MANAGING DIRECTOR

It is with great pleasure that I present the financial statement of Kericho Water and Sanitation Company (KEWASCO) for the year ended 30th June 2024. This marks my fourth annual report as Managing Director of KEWASCO. Through my experience leading this essential service provider, I have come to understand that the water sector presents both significant challenges and opportunities.

KEWASCO operates two cost centres: rural and urban. While each cost centre is responsible for its operational and maintenance costs, the rural centre heavily relies on subsidies from the County Government of Kericho for bulk water payments from Bomet, electricity bills, and salary harmonization. Notably, in the last three years KEWASCO has seen considerable investments from shareholders and partners, including the German Bank KfW and the Water Fund. These investments have greatly improved both the quantity and quality of our services, particularly in water infrastructure, as evidenced by the annual impact reports from WASREB.

Customer satisfaction and perception of our services have also improved significantly. However, we still face challenges, including an aging workforce and high water losses. To address these issues, I have identified three key areas of focus: Non-Revenue Water (NRW), personnel expenditure as a percentage of operational and maintenance (O&M) costs, and water coverage. By concentrating on these themes, we aim to achieve greater commercial viability in the near future.

These priorities of intervention requires substantial investment. Addressing NRW requires a clear and actionable roadmap, which we have developed, and we are actively seeking partners to assist in tackling this challenge. Reducing personnel expenditure relative to O&M costs remains complex, but we anticipate that the fully utilization of Duka Moja Project will help reduce this percentage. For low water coverage, several expansion projects are underway, with the Water Sector Development Program expected to improve urban coverage from the current 65% to 85% in the next 2 years.

Our revised strategic plan emphasizes several key areas, including infrastructure improvement, increased water coverage, enhanced collection efficiency, prompt response to leaks and bursts, increased metering ratios, upgrading raw water schemes to treated water systems, and improved sanitation coverage. These initiatives will support our five thematic areas: (i) Water and Sanitation Provision, (ii) Operational Efficiency, (iii) Financial Sustainability, (iv) Collaboration with Sector Players, and (v) Customer Service.

1. Staff Establishment

Currently, our staff establishment comprises 163 employees (112 male and 51 female), with a significant portion of 72 staff being within 50 – 59 years age bracket, highlighting an aging workforce. We strive to comply with the third gender rule which currently stands at 69% and 31% male to female ratios respectively, and to address the aging workforce challenges, we have contracted 41 members to support the company business.

2. Water Distribution and Maintenance

Bulk Water Supply

During the 2023/2024 financial year, the bulk water supply from Bomet faced numerous challenges, including disconnections due to non-payment and low flows, resulting in decreased billings. This decline directly affects our revenue collection, leading to delays in salary payments. A joint interim committee was formed to address these challenges, but infrastructure improvements require a budget of over Kshs 60 million, which is yet to be sourced.

These issues have hindered our rural cost center’s ability to meet operational minimums and to ensure timely salary payments.

3. Non-Revenue Water Management

The Non-Revenue Water (NRW) level remains high at 53% this financial year. High NRW significantly impacts the commercial viability of the company by reducing the water available for sale. KEWASCO recognizes this as a critical area for intervention, and we have developed a robust roadmap to address it with stakeholder support.

Other Key Company Achievements

- **License:** KEWASCO has an interim license valid until 2024.
- **Tariff Review:** We have a tariff valid up to 2025.
- **Clustered Company:** Since our merger in November 2018, we have made significant strides toward stabilizing operations, although full benefits will take time.
- **Safe Quality Water:** Continuous provision of safe drinking water has been maintained, with drinking water quality consistently meeting WASREB standards.
- **Finance Department:** Integration of staff from both cost centres has strengthened our finance department, and we are working on integrating accounting and billing software.
- **Human Resources:** Recruitment for vacancies is timely, with regular performance appraisals conducted.
- **Audit:** We have developed and implemented a risk-based audit strategy in line with best practices, ensuring that audits cover all company systems and processes.
- **ICT:** We have established a Wide Area Network (WAN) for rural connectivity, automatic M-PESA integration, acquired a new server, upgraded accounting software, enhanced GIS utilization, and established a mobile meter reading system.

4. Development Projects

The following table highlights ongoing and recently completed development projects:

Projects	Major Scope	Progress
----------	-------------	----------

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

Water Sector Development Program (WSDP-LVS) (Kericho, Kisii, Nyamira, Litein)	Long-term expansion works: New Kimugu Treatment Works	Completed and operational
Objective: Ensure sufficient, hygienic, economically viable, and affordable water and sanitation services to residents of Kericho	Financier: German Development Bank (Kfw)	
Implementing Agency: LVSWWDA	Commencement Date: March 2014	
Expected Date of Completion: March 2023	Consultant: CES and Mangat I.B Patel	
Contractor: Nanchang Foreign Engineering Company & Jiangxi Jingtai Water Conservancy		
Scope Includes: Intake Works on Kimugu River, 7.7Km Raw Water Gravity Main, New Water Treatment Works (13,000M3), 2.8Km Treated Water Gravity Main, 4.6Km Pumping Main to Timbilil Tank (1,000M3), 50Km Distribution Main		

5. Strategies, Plans, and Future Outlook

To enhance the company's performance, we will implement the following mid-term and long-term strategies:

a) **Financial Recovery Plan (FRP):** Selected by WASREB for post-COVID-19 recovery funding, we propose four interventions to achieve O&M cost coverage and financial turnaround:

- Replace 9,880 consumer meters and 90 bulk meters to facilitate NRW computation. Estimated cost: Kshs 176,324,363.
- Replace 170KM of assorted UPVC pipe network in high-burst areas. Estimated cost: Kshs 127,112,233.
- Settle outstanding debts and three months of current bulk water supply dues. Estimated cost: Kshs 14,226,231.

a) **Last Mile Connectivity:** Following the completion of the Duka Moja expansion project, we anticipate additional customers through a last-mile connectivity strategy. Funding proposals have been submitted to connect approximately 3,000 new customers, enhancing billing and financial sustainability without increasing personnel expenditure.

b) **KWASH Program:** The company is current working on a performance implementation action plan for financing under pforR which is a world bank funded.

6. Challenges Facing the Company

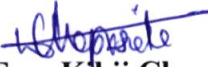
To enhance our service delivery, we must address the following challenges:

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

- a) **High Non-Revenue Water:** This leads to significant water losses. A Performance Improvement Plan (PIP) is being developed to address both commercial and physical losses over the next five years.
- b) **Bulk Water Disconnections from Bomet:** Disconnections significantly impact the revenue of our rural cost centre, which relies heavily on bulk water.
- c) **Low Water Coverage:** The average water coverage across the company is only 37%, indicating a substantial unmet customer base that requires infrastructural development.
- d) **High Personnel Expenditure Relative to O&M Costs:** While reducing this fixed cost is challenging, we expect O&M costs to rise with new projects, allowing us to maintain constant personnel expenditure.
- e) **Outstanding Debts:** The County Government of Kericho's unpaid bills hinder our ability to meet financial obligations.
- f) **Outstanding Creditors:** Pension dues for staff remain a significant challenge.

7. Conclusion

The company operates under an interim license with a new tariff currently in effect. Continued subsidy support from the County Government is essential for bulk water costs, electricity, and salary harmonization for the rural cost centre. With the Water Sector Development Program completed, the urban cost centre is expected to maintain a consistent water supply, addressing low volumes during dry periods. Additional support for last-mile connectivity will further enhance our coverage.


Eng. Kibii Chepkwony Siele
Managing Director

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

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2023/2024**

KEWASCO has 8 themes that form the core focus within the current Reviewed Strategic Plan 2017-2023 for the next 6 years, these are:

- 1 Non- Revenue Water Management.
- 2 Water and wastewater Infrastructure Development.
- 3 Operational Efficiency.
- 4 Customer Service.
- 5 Pro-poor initiatives.
- 6 Financial Sustainability.
- 7 Institutional Strengthening.
- 8 Corporate Governance

These 8 themes are further grouped into 4 perspectives for the purpose of tracking them in a balanced scorecard.

- a) Financial perspective.
- b) Customer Perspective.
- c) Internal (process) perspective.
- d) Learning and growth (People) perspective

The Company develops its annual work plans based on the above Themes. Assessment of the Board's performance against its annual work plan is done on a half-year basis. To deliver on these strategic themes, KEWASCO identified the following key specific objectives:

- i. To Increase access to water by improving coverage from 55 % in 2019 to 64% in 2025 for urban and 25% in 2018 to 35% in 2025 for rural cost centre.
- ii. To increase number of active connections from 13,539 in 2019 to 15,825 in 2025 for urban and 5,868 in 2019 to 7,215 in 2025 for rural.
- iii. To increase water production from 12,600 m³ /day in 2019 to 25,600 m³ /day in 2025 for urban and 3,640 in 2019 to 4,650 in 2025 for the rural cost centre.
- iv. Increase sewerage sanitation access from 17% to 40% by 2025.
- v. To Increase Billing and revenues from Kshs.17 million per month in 2019 to Kshs.21 million per month in 2025 for urban and Kshs 2.6 million in 2019 to 4 million in 2025 for rural.
- vi. To Increase collection efficiency from 60% in 2019 to 90% in 2025 for both urban and rural.
- vii. To Improve O&M cost coverage from 83% in 2019 to 100% in 2025 for urban and 83% in 2019 to 93% in 2025 for rural.
- viii. To reduce NRW from 56% in 2019 to 45% in 2025 for urban and 56% in 2019 to 48% in 2025 for rural.
- ix. To reduce personnel expenditure as a percentage of O&M costs from 65 % in 2019 to 60 % in 2025.
- x. To ensure Regulatory compliance to 100% by 2023.
- xi. To improve level of corporate governance performance from 75% in 2019 to 100% by 2025 and pro-poor from 68% in 2019 to 75% in 2025.

The Company achieved some of its performance targets set for the FY 2022-2023 period for its strategic Table 1: Perspective Areas and Strategic Objectives perspectives, as indicated in Table 1

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Strategic Perspective	Objective	Key Performance Indicators	Activities	Achievements
Financial Perspective	Improve water coverage from 55% to 64% for urban and 25% to 35% for rural cost centre.	Water Coverage	Construction of new treatment plants, timely payments of bulk water and electricity bills	Construction of 13,000M ³ plant for Urban.
Pillar/ theme/ issue 1:	Increase sewered sanitation access from 17% to 40%.	Sewerage Coverage	Construction of at least 5 DTFs, Expansion of Sewer network and connectivity	Construction of Kapsoit DTF
	To Increase Billing and revenues from Kshs.17 million per month to Kshs.21 million per month for urban and Kshs 2.6 million to 4 million for rural.	Billing (Kshs)	Rationing program, last mile connectivity, restoration of water supply, timely payment of bills	Restoration of Kipsolu-Kaptebeswet water supply infrastructure Ongoing construction of Kapsoit Sosit Water Pipeline Project
	Increase collection efficiency	Collection Efficiency	Part payment agreements, mass disconnections, mass SMSs	Rapid Result Initiatives to collect revenues conducted
	To increase O&M cost coverage to 100%	O & M cost coverage	Increase billing	Construction of 13,000M ³ plant for Urban.
	Reduce Non-Revenue Water (NRW) to 45%	NRW	Meter servicing, Relocation and replacement. Pipeline replacement with HDPE, Smart metering.	145 Meters were relocated and 250 replaced. Procurement of 1100 No water
	Increase the number of active connections	Metering Ratio	Encourage part payment to discourage disconnections, enhance last mile connections	The number of active connections have increased by about 800 over the last financial year and also due to increased water volumes from the New Duka Moja Project

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Customer perspective	Increase Hours of Supply	Hours of supply	Adhere to rationing programs, timely payments of electricity and bulk water bills, restoration of disconnected areas	Construction of 13,000M ³ plant for Urban. Electricity and bulk water bills paid.
	Improve Drinking water Quality	Drinking water quality	Adhere to sampling programs, carry out disinfection	Sampling program developed. DWQ increased from 90% to 93%.
	Timely customer complaint resolution	Customer satisfaction	System reporting and resolution to enhance follow up.	Customer satisfaction at 68%.
Internal (process) perspective	Improve regulatory compliance	Governance	Statutory deductions, licences and permits	Obtained required licences and permits from WASREB, WRA, and NEMA
	Integrate ICT in processes	Billing	Use job cards, cashless system	Use of GIS, and billing system, MPESA.
	Develop policy documents	Corporate Governance	Develop Disaster management plan, Strategic Plan, Business Plan, Metering Policy etc.	Strategic Plan, Metering policy, HR manual. Developed Standard Operating Procedures for all the departments
Learning and Growth Perspective	Develop and implement communication policy	Staff productivity	Formulate communication committee	Communication committee in place
	Establish Performance management plan	Staff productivity	Carry out performance appraisal	Performance appraisals done.
	Continuous staff training	Staff productivity	Develop training plan	Staff trained through project accompanying measures

Each strategic perspective summarized from the strategic themes has objectives and KPIs and are they are tied into implementing actors who are mostly the management team. The performance targets for each member of the management are drawn from the strategic perspectives as per the implementing actors as shown in Table 2. Performance contracts are practised at all level of the Company. The

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Managing Director signs performance contract with the Board of Directors and then all Heads of Department sign with the Managing Director. This is then cascaded to the second line managers and the lower cadre of employees. The objectives of the performance contracts are in line with the Company's strategic Plan.

Table 2: Example showing how strategic perspectives are linked to performance management system.

Strategic Perspective	Objective	Performance Target	Implementing Actors
Financial Perspective	Increase Water Coverage	Last mile connectivity to target areas.	Board of Directors & Managing Director
		Restoration of water supply infrastructure.	Commercial and Finance Manager & Technical Services Manager
		Adherence to rationing programs	Technical Services Manager

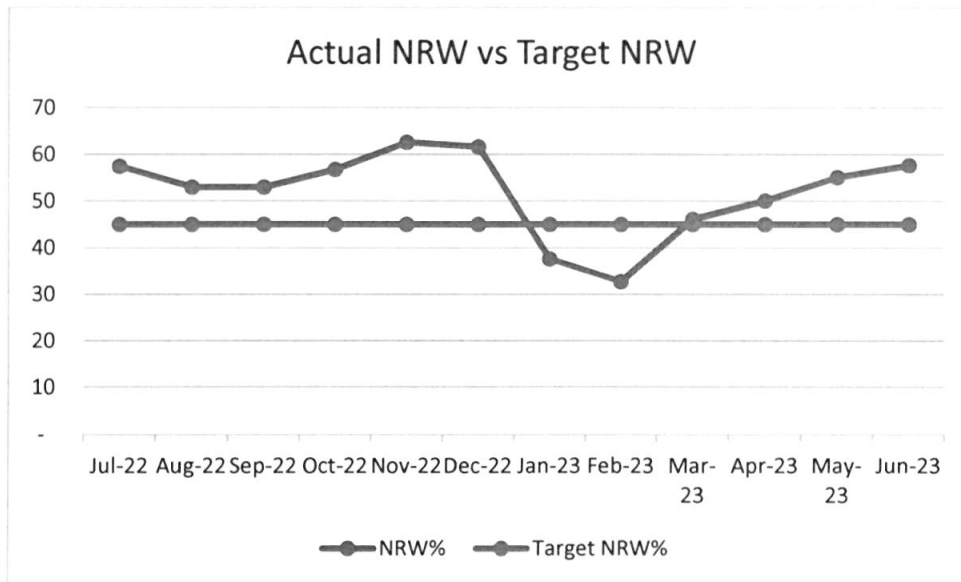
For the financial year 2022-2023, the Company had focused on three key areas and set some targets to achieve and a Performance Improvement Plan focussing on the Urban Cost Centre was developed. The Plan intended to focus on these Key Performance Indicators (KPIs):

- a. Non-Revenue Water (NRW).
- b. Water Coverage.
- c. Personnel expenditure as a percentage of Operation and Maintenance Cost.

A number of activities were proposed and a budget for the same drawn. Out of these three, the Company managed to meet the short-term target for Water Coverage in the urban cost centre. However, NRW and Personnel expenditure as a percentage of Operation and Maintenance Cost were not achieved. These have since been planned for the long-term basis.

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Figure 1: NRW Trend for the 2022-2023 Financial Year.



8. CORPORATE GOVERNANCE STATEMENT

KEWASCO operates within good corporate governance standards as stipulated in the Water Services Regulatory Board (WASREB) corporate government guidelines for the water services sector. These guidelines are in line with 'MWONGOZO'-The Code of Governance for State Corporations. The latest Corporate Governance Assessment done by WASREB ranked the Company among the top three water Companies in Kenya. The Characteristics of KEWASCO Board is explained by the following sub-headings:

No of Board Meetings and Attendance

The Board of Directors meet at least four times a year. These full board meetings are each held on quarterly basis to discuss Company performance reports and minutes as presented by each of the three Board Committees. The Committees meet four times to discuss departmental reports and make recommendations for the Full Board's considerations. At times the Chair of the Board may convene some special Full Board meetings to discuss urgent company issues or to recruit some members of the management. Board meetings cannot proceed without quorum and for those members who are not able to attend send apologies. For cases of the County Government representative, if the County Executive Committee Member (CECM) is not able to attend, he or she sends the Chief Officer (CO) to attend on behalf as per the guidelines.

Succession plan

KEWASCO has avoided situations where all Board members retire at the same time. This has ensured that there is institutional memory. One third of the Members other than those from the County are allowed to retire from office by rotation every year starting from the third year after appointment. Currently the Board is fully constituted.

Board Charter

The Charter has been adopted by the Company's Board of Directors, to assist the Board and its commitment in exercising their responsibilities. The Board of Directors review the Charter every three years and if appropriate revise it from time to time. The Charter spells out the following:

- The Purpose of the Board
- General roles and mandate
- The Composition
- Meetings
- Board Calendar

Process of Appointment and Removal of Directors

The process of appointment of directors has been transparent and competitive. Advertisement are usually made in print media and the Company website.

Roles and functions of Board

The roles and functions of the Board of Directors are stipulated in the Code of Ethics signed by each Board Member. The Board of Directors exercises all the powers of the company subject only to the

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limitations contained in the law and the Memorandum and Articles of Association. Some of the functions that the Board of Directors fulfils include:

- Ensure that through a managed and effective process, board appointments are made that provide a mix of proficient director, each of whom is able to add value and bring independent judgment to bear on the decision- making process.
- Monitor and evaluate the implementation of strategies, policies, management business plans.
- Ensure that company complies with all the relevant laws, regulations and Codes of best business practice.
- Serve the legitimate interests of the shareholders and other stakeholders and agree on a policy, or policies determining how the corporation should relate to them.
- Regularly review processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.
- Regularly assess its performance and effectiveness as a whole, and that of the individual Directors, including the CEO/MD.
- Appoint the CEO/MD and at least participate in the appointment of senior management, ensure the motivation and protection of intellectual capital intrinsic to the company, ensure that there is adequate training in the company for management and employees, and a succession plan for senior management.
- Identify key risk areas and key performance indicators of the business and monitor these factors.

Induction and Training

All Company Directors receive formal training on their roles, duties, responsibilities and obligations as well as Board practices and procedures. There are also subsequent trainings involving understanding water service sector operations, deepening oversight skills in financial management different compliance requirements that are critical to the company's business.

Board Member performance

Board Members evaluate themselves through self-evaluation once every year in three sections:

Section A: Contains evaluation of the Board by all members and includes: Board responsibility, Board Operations, Board Effectiveness

Section B: Contains and evaluation format of the Chairperson by other members of the Board.

Section C: Contains an evaluation format of individual members of the Board by the Chairman

Conflict of Interest

Each Board member is expected to declare conflict of interest if any on company matters according to Chapter six of the Constitution. A Conflict of Interest Book is signed at every time the Board convenes to conduct the Company Business.

Board Remuneration

For efficiency and act as an incentive to improve performance at oversight level, KEWASCO Board allowances and remuneration do not exceed 2 % of the total costs.

Ethics and Conduct

Each Board member signs Code of Ethics stipulating responsibilities of each Board Member in ensuring good corporate governance in the Company. These include setting and evaluation of performance targets of management and approve all organizational systems, policies and procedures that are in line with the set organizational goals. Each Board Member signs the Code having read, understood the Code of ethics and undertake to be bound by the Ethics in his or her performance of duties as a director

Governance audit

The Company plans to conduct governance audit in the next financial years. However, the Company has been participating in the Champions of Governance organised by Institute of Certified Public Secretaries for two years now and it has performed very well.

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A:

The company's operational and financial performance.

The volume of water produced for the financial year 2022/2023 increased to 3.8 million cubic meters from 3.6 million cubic metres in the previous year.

The average Non Revenue Water (NRW) remained at 53%, still off the target of 45% for the next five years. Huge investment is needed to fund the activities proposed in the Company's NRW Reduction Plan.

In terms of Drinking Water Quality (DWQ), the Company managed to increase the number of tests to surpass the required number of test based on the water produced. This was to ensure that the DWQ compliance tends towards 100%.

In terms of Revenues, the Company had projected a billing of Kshs. 243.3 million for the year in consideration that the new tariff will be effective at the beginning of the financial year 2022/2023 but delayed up to March 2023.

With this low revenue collection, the Company was not able to meet some of the budgetary obligations like the need to reduce on creditor balances especially those related to staff. Therefore, payment of statutory deductions i.e. PAYE, Pension, lease fees continue to be a challenge. Furthermore, the County Government of Kericho has not been able to fully honour subsidy support agreement for the rural cost centre for salary harmonization, payment of bulk water supply and electricity bills.

SECTION B:

Company's compliance with statutory requirements

The company strives to ensure that it has fully complied with all the statutory requirements. The Company has received a two-year licence and started using a new tariff from the month of March 2023.

SECTION C:

Key projects and investment decisions the entity is planning/implementing

The continuing projects are :

- Water Sector Development Program (WSDP-LVS) Long term expansion works in Kericho funded by KFW from Germany and Government of Kenya. This water project upon completion is expected to serve additional 200,000 people in Kericho County.
- Accompanying Measures Initiative to strengthen managerial performance of KEWASCO. This project is being undertaken in line with KFW Long term expansion works for Kericho Town.
- Kapsoit-Sosiot Water Pipeline Project funded by Water Fund. This project will increase coverage.
- Kapkatet Public Sanitation Facility funded by Water Fund. It will improve on sanitation coverage

Some of the upcoming projects that the Company is and other development partners is planning to implement include:

- Ainamoi water pipeline Project, which is to be funded by SK Kawanishi and JICA. The project will also improve on coverage.

SECTION D:

The company's operations exposes it to the following types of risk

Operational Risk

This is the risk faced in the normal operations when carrying out business. The major risks include high NRW, unreliable water sources due to drought, and power cut/outage, dilapidated infrastructure and high cost of chemicals. Other risks in this category are include inadequate Human Resource Integrated, and personnel safety risk, machine safety risks.

Financial Risk

The major financial risk is the **debt default** by our customers, loss of revenue through illegal connections, bursts and leakages leading to high Non-Revenue water.

Lastly is the **legal risk**. This is the risk that creditors may take the company to court for non-payment.

SECTION E

Material Arrears in Statutory/Financial obligations

The company faces financial challenges such that it has not been able to clear its outstanding debts. The statutory obligations relates to

- Retirement Benefit Obligations
- Pay As You Earn
- Payments to Lake Victoria South Water Works Development Agency.
- Water Resource Management
- Water Services Regulatory Board
- Staff salaries and deductions

SECTION F

The company's financial probity and serious governance issues

Currently the Company has complied with the corporate governance guidelines as set out by the Water Services Regulatory Board and Mwongozo.

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10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kericho Water and Sanitation Company endeavours to transform lives through provision of safe drinking water and proper/improved sanitation services. Our core business is supply of safe drinking water and provision of proper and improved sanitation services. The mission of the Company is to efficiently provide sustainable water and sanitation services to the customers in a safe, reliable, adequate and affordable manner. This is our purpose and driving force in everything that we do. Customer focus is one of our five core values. As a Company and a business, our services directly affect the lives of the people who are our customers. Any activity that we undertake must therefore put the customers' needs and expectations first into consideration. This principle of customer focus is what guides us to deliver our mandate; putting the customer first in supplying water and sanitation services and improving operational excellence. Below is a brief highlight of our achievements in this regard:

i. Sustainability strategy and profile -

The Company strives to meet the water demand of the population in service provision area with the insufficient supply obtained from an environment facing challenges of degradation and pollution brought about by climate change as well as human activity. We abstract a portion of raw water for treatment ensuring the rest of water in the river is available for the downstream flora and fauna. The infrastructural losses are minimized to ensure maximum available supply for optimal revenue for realization of financial obligations avoiding dependence on donations and subsidies. Most importantly we have ensured through compliance monitoring that our overall activities do not adversely affect the environment.

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii. Environmental performance

Though the Company does not have its own environmental policy, it is being regulated by Water Resources Authority and National Environmental Management Authority. These two organizations issue annual licences only after certain requirements are met by the Company. For instance to get an Effluent Discharge Licence the Company must conduct Environmental Impact Assessment and demonstrate that its system is able to treat wastewater to discharge standards which will not cause pollution to the receiving environment. The Company has a valid Effluent Discharge Licence which is renewed annually. One of the major challenges with regard to management of wastewater is absence of pre-treatment system from industries, hospitals and other premises as requirement by National Environmental Management Authority. This presents negative effects to the performance of the sewerage system thus may lead to pollution of the environment by effluent not meeting discharge requirements. The advantage of our sewerage system is that it has a tertiary treatment stage involving lagoons just to improve the quality of effluent to meet the standards.

iii. Employee welfare

KEWASCO is one of the Companies in the Country whose employees are better paid and have substantively good packages and rewards. The Company implements negotiated Collective Bargaining Agreements every two years.

The hiring process takes into account qualifications, experience and gender ratio as per its Human Resource manual which is reviewed once every five years. Promotions from one scale to the other and other rewards are done based on performance appraisal system.

In an effort to improve skills of its employees, the Company has developed a training calendar of its staff to attend trainings, workshops and benchmarking exercises both locally and internationally. Training Needs Assessment is conducted annually to establish gaps in skills and knowledge among employees. The Company also has Safety Committee that ensures compliance on safety as per Occupational Safety and Health Act of 2007,

iv. Market place practices-

The Company practices best market practices through the following efforts:

a) *Responsible competition practice.*

- For all entrepreneurs that seek to provide similar services within the Company's Service Provision Area, the Company gives them a letters of 'no objection' as per Water Resources Authority requirements.
- The Company has anti-corruption policy and whistle-blower policy to ensure best practices in the market.
- The Company does not involve itself in political activities and the County Government being the owner, does not interfere with the affairs of the Company. However, from time to time is summoned by the County Government or the County Assembly to respond to no-political queries pertaining to its performance.

b) *Responsible Supply chain and supplier relations-*

All procurement procedures in the Company are done as per Public Procurement and Asset Disposal Act 2015, its regulations, Constitution of Kenya 2010 and relevant legal frameworks. These stipulated practices ensure that the Company maintains good business practices and relationship with all the suppliers and contractors. In terms of honouring payments to suppliers, the Company strives to promptly pay them even in the midst of cash flow challenges..

c) *Responsible marketing and advertisement-*

The Company source for advertising firms competitively. The Company promotes its goods, services and activities in a responsible manner and customers get full information. Advertisement and marketing is usually done through print media, Company website, and open days among others. Water Services Regulatory Board (WASREB) regulates water and Sanitation Services. Additionally, the Company involve its stakeholders in all major decisions that will affect them.

d) *Product stewardship-*

The Company strives to ensure that all its products and services meet the consumer standards by customers. This is the reason why there is regulation by WASREB to ensure that whatever the customers receive at the line of the supply pipe is of good quantity and quality since it's their right enshrined in article 43 of the Constitution and stipulated in the Sustainable Development Goal number 6

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v. **Corporate Social Responsibility/Community Engagements-**

The Company usually engages the Community in a number of ways:

- Training-the Company offers free training to primary school, high school and tertiary institutions students who visit its facilities to learn.
- The Company also offers industrial attachment to the students in colleges and universities. These trainings equip the beneficiaries with the hands-on experience required for employment.
- The Company also offer technical advice to community development water projects like river springs and boreholes.

1. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the company's affairs.

i) Principal activities

The principal activities of the entity is to provide water and sewerage services within Kericho County

ii) Results

The results of the company for the year ended June 30, 2024 are set out on page 1-6. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not declared dividends for the year ended June 30, 2024 due to the deficit the company has made.

iv) Directors

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

v) Auditors

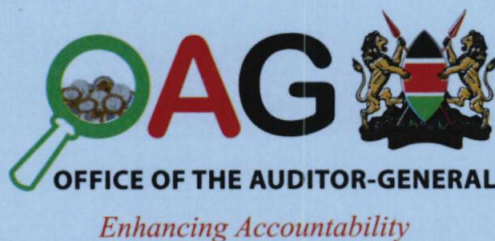
The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2024.

By Order of the Board

Name... *Kibii Chopanony Sute*
Signature... *[Handwritten Signature]*
Date... *20/09/2024*
Secretary to the Board

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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Website: www.oagkenya.go.ke



HEADQUARTERS
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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KERICHO WATER AND SANITATION COMPANY LTD FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kericho Water and Sanitation Company Limited set out on pages 1 to 40, which comprise the statement of financial

position as at 30 June, 2024 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 Kericho Water and Sanitation Company Limited as at 30 June,2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of Operating Revenue

The statement of profit or loss and other comprehensive income reflects operating revenues amounting to Kshs.229,072,438 as further disclosed in Note 7 to the financial statements. However, the amount differs with the invoice bills generated from revenue system totalling Ksh.220,909,892 resulting to unexplained variance of Kshs.8,162,546.

In the circumstance, the accuracy and completeness of the operating revenues totalling Kshs.229,072,438 could not be confirmed.

2. Inaccuracy of Grants Income

The statement of profit or loss and other Comprehensive income reflects grants income amounting to Kshs.8,945,870 as further disclosed in Note 8 to the financial statements. However, the amount differs with the ledger balances amounting to Ksh.12,635,704 resulting to unexplained variance of Kshs.3,689,834.

In the circumstance, the accuracy and completeness of grants income amounting to Kshs.8,945,870 could not be confirmed.

3. Inaccuracy of Gross Salary and Allowances

The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.156,076,462. The amount includes gross salary and allowances amounting to Kshs.123,124,881 as disclosed in Note 10 to the financial statements. However, the gross salary and allowances amount differs with payrolls' gross salary and allowances amounting Kshs.121,426,767 resulting in unexplained variance of Kshs.1,698,114.

In the circumstances, the accuracy and completeness of gross salary and allowances amounting to Kshs.123,124,881 could not be confirmed.

4. Inaccuracy in Board Expenses

The statement of profit or loss and other comprehensive income reflects board expenses totalling Kshs.353,940. However, the amount differs with the supporting schedule amount of Kshs.1,102,340, resulting in unexplained variance of Kshs.748,400.

In the circumstance, the accuracy and completeness of board expenses amount of Kshs.353,940 could not be confirmed.

5. Inaccuracy of Infrastructural Networks

The statement of profit or loss and other comprehensive income reflects maintenance expenses amounting to Kshs.10,675,370. The amount includes infrastructural networks totalling Kshs.4,400,662 as disclosed in Note 13 to the financial statements. However, the infrastructural networks expenditure includes consumables pipeline and repairs materials, and closing stock-others amounting to Kshs.11,211,381 and Kshs.2,524 respectively which are not expenditure by nature but inventories.

Further, the infrastructural networks' amount is net of inventory adjustments and inventory cost variance of Kshs.7,348,457 and Kshs.38,512, respectively, all totalling Kshs.3,826,936 which were not supported by journal vouchers.

In the circumstance, the accuracy and completeness of infrastructural networks amounting to Kshs.4,400,662 could not be confirmed.

6. Property, plant and Equipment

The statement of financial position reflects property, plant and equipment totalling Kshs.81,112,868 as further disclosed in Note 16 to the financial statements. However, the amount excludes the value of motor vehicles with a Net book value of Kshs.8,997,382.

Further, note 16 to the financial statements reflects meters net book values amounting to Kshs.29,850,425 which differs with the assets register balance of Kshs.30,218,796 resulting in unreconciled variance of Kshs.368,371. Similarly, the Note reflects water/ sewer pipeline amounting to Kshs.13,819,509 which differs with the assets register balance of Kshs.29,651,815 resulting in unreconciled variance of Kshs.15,832,306.

In the circumstance, the accuracy and completeness of the property, plant and equipment totalling Kshs.81,843,857 could not be confirmed.

7. Inaccuracy of Inventories

The statement of financial position reflects inventories totalling Kshs.8,094,627 as further disclosed in Note 18 to the financial statements. However, the amount differ with the annual stock taking report inventories amounting to Kshs.7,980,898 resulting in unexplained variance of Kshs.113,729 as shown below:

Item Group	Item Description	Amount in the Financial Statements (Kshs)	Amount in the Annual Stock Taking Report (Kshs)	Variance (Kshs)
CL	Cleaning Materials	230,456	55,459	174,997
CU	Clothing and Uniform	12,760	16,470	(3,710)
CCO	Computer Consumables	656,745	430,606	226,139
PF	Pipes and fittings	4,489,076	4,295,670	193,406
ST	Stationery and General Use	350,321	347,326	2,995
TL	Tools	54,035	75,514	(21,479)
WC	Water Chemicals	350,679	534,053	(183,374)
WM	Water Meters	1,950,555	2,225,800	(275,245)
	Total	8,094,627	7,980,898	113,729

In the circumstance, the accuracy and completeness of the inventories totalling Kshs.8,094,627 could not be confirmed.

8. Inaccuracy of Trade and Other Receivables

The statement of financial position reflects trade and other receivables totalling Kshs.249,238,257 as disclosed in Note 19 to the financial statements. However, the amount differs with the trade and other receivables ledger totalling Ksh.275,019,877 resulting to an unexplained variance of Ksh.25,781,620.

Further, no provisions have been made were made for bad and doubtful debts. This was contrary to Policy h of the summary of accounting policies of the financial statements which states that trade and other receivables are recognized at fair values less allowances for any uncollectable amounts.

In the circumstances, the accuracy completeness and existence of trade and other receivables totalling Kshs.249,238,257 could not be confirmed.

9. Inaccuracy of Bank and Cash Balances

The statement of financial position reflects bank and cash balances totalling Kshs.17,087,531 as further disclosed in Note 20 to the financial statements. However, amount does not include a bank balance amounting to balance Kshs.10,956,353 reflected in bank statements of a bank account held in a commercial bank.

Further, as reported in the previous year, the bank and cash balances totalling Kshs.17,087,531 includes bank account balances totalling Kshs.5,669,743 held in three (3) bank accounts which were frozen due to litigations.

In the circumstance the accuracy, completeness and existence of bank and cash balances totalling Kshs.17,087,531 could not be confirmed.

10. Unsupported Ordinary Share Capital

The statement of financial position reflects ordinary share capital totalling Kshs.8,100,000 as further disclosed in Note 21 to the financial statements. Review of records revealed that the Company was incorporated on 15 October, 1997 through certificate no. C.78354. However, no documentary evidence in support issuance and payment of the shares was provided. The share certificates were also not provided.

In the circumstances, the accuracy and ownership of ordinary share capital totalling Kshs.8,100,000 could not be confirmed.

11. Unsupported Trade and other Payables

The statement of financial position reflects trade and other payables totalling Kshs.254,616,332 The amount includes trade payables amounting to Kshs.48,900,618 as disclosed in Note 27 to the financial statements. The trade payables amount includes outstanding electricity supply bills amounting to Kshs.7,859,459 which has accrued from Tililbei Cost Centre since the year 2018. However, the electricity bills were not provided.

Further, the amount includes other payables amounting to Kshs.99,398,591 as disclosed in Note 27 to the financial statements. The other payables includes refuse bills owed Kericho County Government amounting to Kshs.36,102,427 which dates back to 2002/2003 financial year. However, no contract agreement between the Kericho County Government and Company was provided showing the terms and condition of billings, collection, and remittance to County Government on garbage collection .

In addition, the other payables includes Kshs.20,807,326 payable to Water Services Regulatory Board (WASREB) which differs with the ledger amount of Kshs.25,186,790 resulting to unexplained variance of Kshs.4,379,464.

In the circumstances, the accuracy ,completeness and existence of trade and other payables amounting to Kshs.254,616,332 could not be confirmed.

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

Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets and liabilities totalling Kshs.274,420,415 and Kshs.310,446,857 respectively, resulting in negative working capital of Kshs.36,026,442. This is an indication of the existence of material uncertainty which casts doubt on the Company's ability to continue to operate as a going concern and meet its obligations as and when they fall due.

In the circumstances, the continued ability of the Company to continue to operate is dependent on continued County Government Support.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total final budget and actual on comparable basis amounting to Kshs.299,412,304 and Kshs.240,169,711, respectively, resulting in underfunding totalling Kshs.59,242,593 or approximately twenty percent (20%) of the budget. Similarly, the statement reflects total final expenditure budget and actual on comparable basis amounting to Kshs.299,412,304 and Kshs.247,930,658, respectively, resulting to under-expenditure of Kshs.51,481,646 or seventeen percent (17%) of the budget.

The under-funding and under-expenditure affected implementation of the planned projects and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit reports of previous year, forty (40) issues were raised under the Report on Financial Statements, Emphasis of Matter, Other Matter, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve the issues.

Other Information

The Directors are responsible for the Other Information set out on page iii to xxix which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, and Report of the Directors..

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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-Compliance with the One Third Gender Rule and Law on Ethnic Diversity

Review of records revealed that the Company had one hundred and sixty-three (163) employees out of which fifty-one (51) or thirty one percent (31% were female. This was contrary to Part B.26(2) of the County Public Service Human Resource Manual May, 2013 which states that the County Government shall endeavor to have a non-discrimination in the County Public service by ensuring that not more than two thirds (2 /3) of vacant posts are filled by either gender in the County Public Service.

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

2. Non-Remittance of Statutory Deductions and Other Deductions

The statement of financial position reflects trade and other payables totalling Kshs.254,616,332. The amount includes employee payables amounting to Kshs.105,747,937 as disclosed in Note 27 to the financial statements. The employee payables amount includes unremitted statutory deductions and other deductions totalling Kshs.93,141,151 which remained outstanding for more than one and half years. This was contrary to Section 19(4) of the Employment Act, 2007 which provides that, an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law.

In the circumstance, Management is in breach of the law.

3. Non-Revenue Water

The statement of profit or loss and other Comprehensive income reflects operating revenue of an amount of Kshs.229,072,438 which includes an amount of Kshs.173,063,982 in respect of water sales and as disclosed in Note 7 to the financial statements. Review of the water production records revealed that 4,799,035 cubic meters (m³) was produced but only 2,029,009 cubic meters (m³) were billed to customers resulting to 2,770,026 cubic meters or fifty eight percent (58 %)of the produced water was not billed to customers. The unbilled water is thirty-three (33%)

above the allowable loss of twenty five percent (25%). The loss of 33% of the water produced at an average billing rate of Kshs.72 per (m³) resulted to a loss of sales estimated at Kshs.199,411,872.

Further, a review of the financial statements in respect of the Managing Director's report revealed that the company lost 2,531,230 (m³) which differed with the volume of 2,770,026 (m³) reflected in water production statements resulting to unexplained and unreconciled variance of 238,796 (m³) of non-revenue water.

The large ration of the unaccounted-for water implies that the Company's water distribution system was inefficient during the year under review.

4. Unmetered Connections

The statement of profit or loss & other comprehensive income for the year ended 30 June, 2024 reflects operating revenue amounting to Kshs.229,072,438. The amount includes water sales totalling Kshs.173,063,982 as reflected in Note 7 to the financial statements. Review of records revealed sales amounting to Kshs.33,150,438 from unmetered connections. No report was made to the Water Service Board and the Water Services Regulatory Board (WASREB). This was contrary to Regulation 44 of Model Water Service Regulations developed by Water Services Regulatory Board (WASREB) which states that where consumers have an un-metered supply of water from the water service provider, the consumer shall pay the water bills charged by the water service provider in accordance with the tariffs approved by the Regulator. The water service provider shall ensure that all connections shall be metered within one year and shall provide a report to the water service board and the Regulator on the progress with the provisions of this Regulation charge.

In the circumstance, Management is in breach of the law.

5. Delayed Completion of Kapkatet Public Sanitation Facility Project

Review of procurement and financial records revealed that the contract for the construction of Kapkatet public sanitation facility project at a cost of Kshs.5,398,061 was awarded on 31 March, 2023 for a contract period of four (4) months ending on 3 August, 2023. The contractor had been paid Kshs.2,056,404 or 38% of the contract sum to date. However, physical verification of the project on 25 November, 2024, approximately eighteen (18) months after the completion date revealed that electrical installation, fittings, floor tiles, water piping, door fitting, windows, toilet fittings and drainage works provided for in the Bills of Quantities were not completed and the contractor was not on site.

In the circumstances, value for money on the expenditure of Kshs.5,398,060.59 on construction of the public sanitation facility could not be confirmed.

6. Failure to Hold Meetings

During the year under review, the Company did not hold an Annual General meeting contrary to Section 310(1) of the companies Act 2015, which provides that every public company shall hold a general meeting within six (6) months from and including the day

following its accounting reference date in each year, whether or not it holds other meetings during that period.

Further, the Board held one (1) full board meeting on 11 August, 2023 contrary to the statutory requirement to hold four (4) sittings in a year.

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

The audit was conducted in accordance with ISSAI 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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 governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by 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. The information given in the Directors' report on pages i to xxix is consistent with the financial statements.

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

Responsibilities of Management and Board of Directors

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

maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors are 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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024

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13. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024.


	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue			
Operating Revenue	7	229,072,438	193,463,965
Grants Income	8	8,945,870	16,460,389
Other Income	9	2,151,403	1,074,624
Total Revenue		240,169,711	210,998,979
Expenses			
Staff Costs	10	156,076,462	159,916,211
General and Operations expenses	11	60,308,367	69,437,612
Board Expenses	12	353,940	2,517,460
Maintenance Expenses	13	10,675,370	18,241,162
Depreciation and Amortization expenses	14	5,736,775	5,309,400
Finance Costs	15	28,883	174,009
Total Expenses		233,179,798	255,595,853
Profit/(Loss) Before Taxation		6,989,913	(44,596,875)
Profit/(Loss) After Taxation		6,989,913	(44,596,875)
Other Comprehensive Income			
Profit/ (Loss) After Taxation		6,989,913	(44,596,875)
Surplus Or Deficit On Revaluation Of PPE			
Total Comprehensive Income For The Year		6,989,913	(44,596,875)

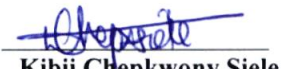
Kericho Water and Sanitation Company Limited
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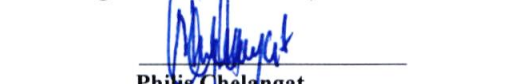
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	2023-2024	2022/2023
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	81,112,868	81,974,505
Intangible assets	17	730,989	913,736
Total Non-Current Assets		81,843,857	82,888,241
Current Assets			
Inventories	18	8,094,627	4,874,997
Trade and receivable	19	249,238,257	228,568,319
Bank and cash balances	20	17,087,531	17,260,967
Total Current Assets		274,420,415	250,704,283
TOTAL ASSETS		356,264,272	333,592,527
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	8,100,000	8,100,000
Revaluation reserve	22	7,665,670	7,665,670
Capital Reserve		67,813,648	66,996,639
Retained earnings	23	(147,524,564)	(154,514,478)
Total Capital and Reserves		(63,945,246)	(71,752,168)
Non-Current Liabilities			
Retirement Benefits	26	104,212,196	84,387,197
Provisions	25	5,550,465	3,434,717
Total Non-Current Liabilities		109,762,661	87,821,914
Current Liabilities			
Borrowings	24	0	1,577,458
Provisions	25	6,431,233	7,464,932
Retirement benefit obligations	26	15,758,164	19,824,999
Trade and other payables	27	254,616,332	252,979,812
Refundable Deposits and Prepayments	28	32,250,472	34,926,189
Deferred Income	29	1,390,656	749,392
Total Current Liabilities		310,446,857	317,522,782
TOTAL EQUITY AND LIABILITIES		356,264,272	333,592,527

The financial statements were approved by the Board on 28th September 2024 and signed on its behalf by:


Sir Kelly Cheruiyot
 Chairman BOD


Kibii Chepkwony Siele
 Managing Director


Philip Chelangat
 ICPAK M/No 11585 Commercial & Finance Manager

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Ordinary share capital	Revaluation reserve	Capital Reserves	Retained earnings	Total
As at July 1, 2022	8,100,000	7,665,670	57,197,085	(110,440,251)	(37,477,496)
Profit for the year				(44,596,875)	(44,596,875)
Capital/Development grants received during the year			11,611,417		11,611,417
Transfer of depreciation/amortisation from capital fund to retained earnings			(1,811,863)		(1,811,863)
Prior year adjustment on PPE				281,897	281,897
As at June 30, 2023	8,100,000	7,665,670	66,996,639	(154,514,478)	(71,752,168)
As at July 1, 2023	8,100,000	7,665,670	66,996,639	(154,514,478)	(71,752,168)
Profit for the year				6,989,913	6,989,913
Capital/Development grants received during the year			2,290,404		2,290,404
Transfer of depreciation/amortisation from capital fund to retained earnings			(1,473,395)		(1,473,395)
PPE					-
As at June 30, 2024	8,100,000	7,665,670	67,813,648	(147,524,564)	(63,945,246)

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	30	6,831,337	17,614,025
Net cash generated from/(used in) operating activities		6,831,337	17,614,025
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(5,427,315)	(15,432,415)
Purchase of Intangible Asset			
Net cash generated from/(used in) investing activities		(5,427,315)	(15,432,415)
FINANCING ACTIVITIES			
Proceeds from issues of new share capital			
Proceeds from borrowings			7,816,376
Repayment of borrowings		(1,577,458)	(6,238,918)
Net cash generated from/(used in) financing activities		(1,577,458)	1,577,457
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(173,436)	3,759,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20	17,260,967	13,501,900
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	17,087,531	17,260,967

17. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2023/2024	2023/2024	2023/2024	2023/2024		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Operating Revenue	233,890,283		233,890,283	229,072,438	4,817,845	98
Grants Income	63,565,621		63,565,621	8,945,870	54,619,751	14
Other Income	1,956,400		1,956,400	2,151,403	- 195,003	110
Total Revenue	299,412,304	-	299,412,304	240,169,711	59,242,593	80
Expenses						
Staff Costs	166,708,395		166,708,395	156,076,462	10,631,933	94
General and Operations expenses	91,669,000		91,669,000	60,308,367	31,360,633	66
Board Expenses	2,266,000		2,266,000	353,940	1,912,060	16
Maintenance Expenses	11,855,000		11,855,000	10,675,370	1,179,630	90
Depreciation and Amortization expenses			-	5,736,775	- 5,736,775	
Finance Costs	30,000		30,000	28,883	1,117	96
Total Recurrent Expenditure	272,528,395	-	272,528,395	233,179,798	39,348,597	86
Profit or Loss	26,883,909	-	26,883,909	6,989,913	19,893,996	
Capital Expenditure	26,883,909		26,883,909	14,750,860	12,133,049	55
Total Expenditure	299,412,304	-	299,412,304	247,930,658	51,481,646	83

Budget notes:

- Operating revenue was not achieved due to bulk Water Supply disconnection and power disconnections in the rural cost centre and drought period in the urban cost centre during the financial year
- Grant income was not achieved due to non-remittance of bulk water supply, electricity and salary arrears for the rural cost centre.
- General operations and maintenance expenses were also not achieved because of disrupted operation due to the disconnections that affected water supply.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kericho Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act Cap 486. The company is wholly owned by the County Government of Kericho and is domiciled in Kenya. The entity's principal activity is to provide water and sanitation services.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

i. Early adoption of standards

The company did not early – adopt any new or amended standards in year under review

NOTES TO THE FINANCIAL STATEMENTS (Continues)

5. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are 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.

b) In-kind contributions

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

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all

Kericho Water and Sanitation Company Limited
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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.

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 reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Rates
Buildings and civil works	10%
Infrastructure works	2.5%
Plant and machinery	20%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a reducing balance at 20% per annum 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 a reducing balance at 20% per annum. 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.

g) 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.

h) Trade and other receivables

Trade and other receivables are recognized 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 and when the necessary approval to write off is granted.

i) Taxation

i) Current income tax

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

j) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary

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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.

k) 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.

l) Cash and cash equivalents

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

m) Borrowings

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

n) 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.

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 1995. The scheme is administered by a pension Fund 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. 1080 per employee per month.

p) Provision for staff leave pay

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

q) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 26th October 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record additional appropriations. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are

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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 Comprehensive income has been presented under section 18 of these financial statements.

r) Service concession arrangements

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

s) Comparative figures

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

t) Subsequent events

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

6. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying

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amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

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

7. Operating Revenue

	2023-2024	2022-2023
	Kshs	Kshs
Water sales	173,063,982	143,143,655
Sewerage Services	44,708,495	33,810,615
Billing for other services*	11,299,961	16,509,696
Total	229,072,438	193,463,965

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

8. Grants Income

	2023-2024	2022-2023
	Kshs	Kshs
Recurrent/operational grants from other agencies	364,045	573,963
Capital grants amortized	1,473,395	1,811,863
Donations from County Government	7,108,430	14,074,564
Total	8,945,870	16,460,389

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A detailed analysis of grants received from the Government in the table below:

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022-2023 KShs
Water Fund CLSG	364,045	1,390,656	2,290,404	4,045,105	14,091,746
County Government of Kericho	7,108,430			7,108,430	14,074,564
Total	7,472,475	1,390,656	2,290,404	11,153,536	28,166,310

9. Other Income

	2023-2024	2022-2023
	Kshs	Kshs
Fine and penalties	2,008,603	566,924
Rental income	142,800	507,700
Total	2,151,403	1,074,624

10. Staff Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Gross Salary and Allowances	123,124,881	125,410,733
Casual workers Wages	4,925,742	6,589,733
Medical insurance schemes	6,657,572	6,367,759
Employer's contributions to social security schemes	2,537,161	1,141,406
Employer's contributions to pension scheme	10,764,380	11,903,917
Employer's contributions to Housing Levy	1,775,999	
Internship/Attachment allowance	437,000	729,000
Gratuity provisions	3,125,324	3,635,286
Salary Arrears	1,263,182	3,242,635
Staff welfare	463,519	373,734
Other allowances	1,001,702	522,678
Total	156,076,462	159,916,211
The average number of employees during the year	163	171

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11. General and Operations Expenses

Description	2023-2024	2022-2023
	Kshs	(Kshs)
Chemicals	778,310	2,280,664
Electricity	5,895,796	6,467,165
Fuel, oil, lubricants, and gases	9,297,582	7,753,504
Bulk water Costs	7,184,370	13,357,350
Office supplies	1,069,843	935,271
Uniform and protective clothing	90,698	2,400
Telecommunication	2,086,602	1,668,357
Postage and courier	94,210	143,416
Insurance	1,268,755	1,857,704
Rent and Rates		
Domestic Traveling and subsistence	5,274,020	4,437,275
Staff training and development	528,550	510,130
Bank Charges	669,423	897,437
Security services	8,711,245	7,890,351
Publicity and advertising	233,763	226,682
Audit fees	580,000	600,000
Legal fees		300
Consultancy fees	162,235	182,300
Licensing and levies	8,795,853	11,789,984
Sports and recreation	473,800	-
Stakeholders' expenses	562,816	223,860
Donations/CSR	5,000	47,640
Hospitality expenses	3,259,080	2,621,780
Provision for doubtful debts		2,243,051
Training Levy	24,500	76,650
Christmas Awards	1,948,760	1,929,800
Subscriptions	132,300	198,400
Quality Testing	816,810	367,000
WSTF Expenses	364,045	729,142
Total	60,308,367	69,437,612

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12. Board Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Chairman Honoraria	-	480,000
Sitting allowances	166,600	1,140,600
Induction and Training		
Travel and accommodation	150,000	685,100
Other allowances	37,340	211,760
Total Board Expenses	353,940	2,517,460

13. Maintenance Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Plant and Equipment	846,870	779,988
Buildings	351,642	192,010
Infrastructural networks	4,400,662	12,369,083
Grounds	67,600	52,700
Motor vehicles	2,689,798	3,103,266
Software	1,769,736	911,889
ICT	310,623	283,816
Water Meter		
Access roads	238,440	548,410
Total Maintenance Expenses	10,675,370	18,241,162

14. Depreciation and Amortization Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Property, plant, and equipment	5,554,028	5,080,966
Intangible assets	182,747	228,434
Total Depreciation and Amortization	5,736,775	5,309,400

15. Finance costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Interest expense on loans	28,883	174,009
Total	28,883	174,009

16. Property, Plant and Equipment

2022/2023	Land	Buildings	Plant Machinery and equipment	Computer & Related Equipment	Motor Vehicles	Furniture and fittings	Water Supply Infrastructure				Capital Work In progress	Total
							Meters	Septic Tank	DTF	Water /Sewer Pipeline		
As at 1 July 2022	800,000	8,637,274	1,203,758	8,147,719	29,381,463	28,659,168	25,559,647	4,363,853	9,845,399	5,256,050		121,854,332
Additions		218,363		32,016		18,430	6,121,958				9,323,545	15,714,312
Transfers												-
Revaluation												-
As at 30th June 2023	800,000	8,855,637	1,203,758	8,179,735	29,381,463	28,677,598	31,681,605	4,363,853	9,845,399	5,256,050	9,323,545	137,568,644
DEPRECIATION												
At July 1, 2022	-	2,385,965	240,752	7,384,257	13,415,678	21,346,054	3,952,663	380,640	486,117	131,401		49,723,527
Acc depreciation						789,645						789,645
Charge for the year		646,967	80,251	238,644	2,139,180	817,737	693,224	99,580	233,982	131,401		5,080,966
Impairment loss												-
As at 30th June 2023	-	3,032,932	321,002	7,622,900	15,554,858	22,953,437	4,645,887	480,221	720,099	262,803		55,594,138
NET BOOK VALUE												
At June 30, 2023	800,000	5,822,704	882,756	556,835	13,826,605	5,724,161	27,035,719	3,883,633	9,125,301	4,993,248	9,323,545	81,974,505

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2023/2024	Land	Buildings	Plant Machinery and equipment	Computer & Related Equipment	Motor Vehicles	Furniture and fittings	Water Supply Infrastructure				Capital Work In progress	Total
							Meters	Septic Tank	DTF	Water /Sewer Pipeline		
As at 1 July 2023	800,000	8,855,637	1,203,758	8,179,735	29,381,463	28,677,598	31,681,605	4,363,853	9,845,399	5,256,050		128,245,099
Additions				117,411			3,253,500			9,323,545	2,056,404	14,750,860
Transfers												-
Revaluation												-
As at 30th June 2024	800,000	8,855,637	1,203,758	8,297,146	29,381,463	28,677,598	34,935,105	4,363,853	9,845,399	14,579,595	2,056,404	142,995,959
DEPRECIATION												-
At July 1, 2023	-	3,032,932	321,002	7,622,900	16,056,694	22,953,437	4,645,887	480,221	720,099	495,891	-	56,329,063
Acc depreciation												-
Charge for the year		582,270	80,251	202,274	2,945,501	715,520	438,794	97,091	228,133	264,195		5,554,028
Impairment loss												
As at 30th June 2024	-	3,615,203	401,253	7,825,174	19,002,195	23,668,957	5,084,681	577,311	948,231	760,086	-	61,883,091
NET BOOK VALUE												
At June 30, 2024	800,000	5,240,434	802,505	471,972	10,379,268	5,008,641	29,850,425	3,786,542	8,897,168	13,819,509	2,056,404	81,112,868

- Capital Work in Progress relates to the cost of ongoing Kapkatet Public Sanitation Facility

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

No asset was valued in the financial year.

17. Intangible Assets

COST	Computer Software
As at 1st July 2023	9,199,172
Additions	
Disposals	
At June 30 2024	9,199,172
AMORTISATION	
As at 1st July 2023	8,285,436
Charge for the year	182,747
Prior Year adjustment	
Disposals	
Impairment loss	8,468,183
At June 30,2024	
NET BOOK VALUE	730,989
At June 30, 2024	9,199,172

The Computer Software consists of software for Payroll, meter reading, fleet management

18. Inventories

	2023-2024	2022-2023
	Kshs	Kshs
Cleaning Materials	230,456	80,752
Uniforms and protective Clothing	12,760	32,796
Computer Consumables	656,745	465,737
Pipes and Fittings	4,489,076	2,342,607
Stationery and general stores	350,321	241,334
Tools	54,035	80,422
Water Chemicals	350,679	196,206
Water Meters	1,950,555	1,435,144
Total	8,094,627	4,874,997

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19. a). Trade and Other Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Trade receivables (note (19b))	225,857,549	216,233,385
Prepayments	449,980	471,675
VAT recoverable	8,782,552	8,782,552
Staff receivables	2,207,525	616,741
Other receivables	11,940,652	11,940,652
Gross trade and other receivables	249,238,258	238,045,005
Provision for bad and doubtful receivable		9,476,686
Net trade and other receivables	249,238,257	228,568,319

19 (b) Trade Receivables

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	249,238,258	238,045,005
Provision for doubtful receivables	-	9,476,686
Net trade receivables	249,238,258	228,568,319
Less than 30 days	22,450,908	12,798,345
Between 30 and 60 days	10,675,895	6,696,615
Between 61 and 90 days	8,532,546	5,320,131
Between 91 and 120 days	5,614,879	4,050,328
Over 120 days	201,964,030	209,179,586
Total	249,238,258	238,045,005

20. Bank and Cash Balances

	2023-2024	2022-2023
	Kshs	Kshs
Cash at bank	15,319,074	16,682,113
Mobile money account	1,768,457	578,854
	17,087,531	17,260,967

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Detailed analysis of the cash and cash equivalents

		2023-2024	2022-2023
Financial institution	Account number	Kshs	Kshs
a) Current account			
Co-operative Bank of Kenya - Revenue Account	01136053726801	448,003	2,381,517
Co-operative Bank of Kenya - Deposit Account	01136053726800	6,082,891	3,631,419
Co-operative Bank of Kenya - GIZ funding Account	01136053726803	2,042	16,182
Co-operative Bank of Kenya-8TH CALL KAPSOIT SOSIOT	01136053726810	77,659	395,079
Co-operative Bank of Kenya-8TH CALL KAPKATET PSF	01136053726809	1,303,500	2,994,760
Family Bank Limited - Exhauster Account	220000004636	63,025	89
Kenya Commercial Bank Limited - Refuse Account	01103618563	610,156	610,156
KCB - KCB Deposit	01104926946	1,275,838	1,275,838
KCB Revenue	01104927179	3,297,418	3,297,418
KCB Expenditure	01108396682	1,096,487	1,096,487
Post Bank Collection A/c	74413011171	188,980	223,639
Posta Collection A/c	KCHO-001		
Equity Bank - Holding A/c	0280299023589	300,959	125,535
Equity Bank-Revenue	0530199886550	10,000	10,450
Equity Bank-Deposit	0530199886579	539,586	459,866
Equity Bank-Expenditure	0530299886559	13,032	154,179
Equity Bank-CLSG	0280280626407	9,497	9,497
Sub- total		15,319,074	16,682,113
d) Others(specify)			
MPESA Collection-Urban	803600	1,513,556	24,086
MPESA A/c charges	803600		-
Mpesa MMF	803600	226,722	164,553
MPESA Collection Kericho Rural	830590	28,179	390,215
Sub- total		1,768,457	578,854
Grand total		17,639,438	17,260,967

21. Ordinary Share Capital

	2023-2024	2022-2023
	Kshs	Kshs
Authorized:		
405,000 ordinary shares of Kshs20 par value each	8,100,000	8,100,000
Issued and fully paid:		
All shares were issued and not paid		

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22. Revaluation Reserve

In the current financial year, there were no revaluations done

	2023-2024	2022-2023
Description	Kshs	Kshs
Opening Balance	7,665,670	7,665,670
Motor Vehicles	0	0
Tractor	0	0
	7,665,670	7,665,670

23. Retained Earnings

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

	2022-2023	2021-2022
	Kshs	KShs
Retained earnings	(147,524,564)	(154,514,478)

24. Borrowings

Description	2023-2024	2022-2023
	Kshs	Kshs
Domestic Borrowings		
Balance at beginning of the year	1,577,458	-
Domestic borrowings during the year	-	7,816,376
Repayments during the year	(1,577,458)	(6,238,918)
Balance at end of the year	-	1,577,458

The analyses of domestic borrowings are as follows:

	2023-2024	2022-2023
	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from Family Bank	0	7,816,376
Total balance at end of the year	0	7,816,376

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Description	2023-2024	2022-2023
	Kshs	Kshs
Short term borrowings (current portion)	0	7,816,376
Total	0	7,816,376

25. Provisions

Description	Leave Provision	Gratuity provisions	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	1,490,031	9,409,618	10,899,649
Additional Provisions	3,305,909	3,125,324	6,431,233
Provision utilised	(3,305,909)	(2,043,275)	(5,349,184)
Balance at the end of the year	1,490,031	10,491,667	11,981,698

Provisions details

Description	2023-2024	2022-2023
	Kshs	Kshs
Current Portion of Provisions	6,431,233	7,464,932
Long-term portion of Provisions	5,550,465	3,434,717
Total	11,981,698	10,899,649

26. Retirement Benefit Obligations

Description	Defined benefit plan	2023-2024	2022-2023
	Kshs	Kshs	Kshs
Current benefit obligation	15,758,164	15,758,164	19,824,999
Non-current benefit obligation	104,212,196	104,212,196	84,387,197
Total employee benefits obligation	119,970,360	119,970,360	104,212,196

Retirement benefit Asset/ Liability

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 entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund, Lapfund and National Water Pension Fund. Employees contribute 7.5% while employers contribute 7.5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

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27. Trade and Other Payables

	2023-2024	2022-2023
	Kshs	Kshs
Trade payables	48,900,618	42,217,210
Accrued expenses	569,187	569,187
Employee payables	105,747,937	76,550,642
Other payables	99,398,591	133,642,772
Total	254,616,332	252,979,812

Aging Analysis for Trade and Other Payables.

	2023-2024	% of the total	2022-2023	% of the total
	Kshs		Kshs	
0-30 days	27,654,908	10.86	25,503,159	10.08
31-90 days	18,717,009	7.35	16,383,440	6.48
91-150 days	9,898,765	3.89	16,249,708	6.42
Over 180 years	198,345,650	77.90	194,843,505	77.02
Total	254,616,332		252,979,812	

Other payables are relating to amount owed to related government entities i.e. Water Resources Authority, Water Services Regulatory Board, Lake Victoria Water Works Development Agency, County Government of Kericho and Bomet Water Company.

28. Refundable Deposits and Prepayments

	2023-2024	2022-2023
	Kshs	Kshs
Customer deposits	31,112,477	29,794,068
Prepayments by customers		4,199,767
Retention/Contract deposits	1,137,995	932,355
Total	32,250,472	34,926,189

Aging Analysis for Refundable Deposits and Prepayments

	2023-2024	% of the total	2022-2023	% of the total
	Kshs		Kshs	
0-30 days	456,040	1.41	5,483,071	15.70
31-90 days	326,575	1.01	165,500	0.47
91-150 days	1,655,900	5.13	276,000	0.79
Over 180 days	29,811,957	92.44	29,001,618	83.04
Total	32,250,472		34,926,189	

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29. Deferred Income

Description	2023-2024	2022-2023
	Kshs	Kshs
Water Fund	1,390,656	749,392
Total deferred income	1,390,656	749,392

The deferred Income movement is as follows

	Water Fund(CLSG)	Total
Balance brought forward	749,392	749,392
Additions	3,061,713	3,061,713
Transfers to Capital fund	(2,056,404)	(2,056,404)
Transfers to income statement	(364,045)	(364,045)
Other transfers	-	-
Balance carried forward	1,390,656	1,390,656

30. Notes to The Statement of Cash Flows

	2023-2024	2022-2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	6,989,913	(44,596,875)
Depreciation	5,554,028	5,080,966
Amortisation	182,747	228,434
Operating profit/(loss) before working capital changes	12,726,688	(39,287,474)
Working Capital Changes		
(Increase)/decrease in inventories	(3,219,630)	1,216,673
(Increase)/decrease in trade and other receivables	(20,669,938)	(11,559,870)
Increase/(decrease) in capital reserves	817,009	9,799,554
Increase/(decrease) in provisions	1,082,049	2,390,579
Increase/(decrease) in trade and other payables	1,636,520	33,436,436
Increase/(decrease) in current benefit obligations	(4,066,835)	6,681,963
Increase/(decrease) in non-current benefit obligations	19,824,999	13,143,036
Increase/(decrease) in customer deposits	(2,675,717)	1,094,378
Increase/(decrease) in deferred Income	641,264	739,895
	(5,895,351)	56,901,500

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	2023-2024	2022-2023
Cash generated from/(used in) operations	6,831,337	17,614,025
(b) Analysis of changes in loans		
Balance at beginning of the year	1,577,458	
Receipts during the year		7,816,376
Repayments during the year		(6,238,918)
Balance at end of the year	(1,577,458)	1,577,458
	-	
(c) Analysis of cash and cash equivalents		
Cash at bank	17,087,531	17,260,967
Balance at end of the year	17,087,531	17,260,967

Other Disclosures

31. Related Party Disclosures

County Government of Kericho

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

Other related parties include:

- The County Department in charge of Water
- County Government of Kericho
- Lake Victoria South Water Works Development Agency
- Water Services Regulatory Board (WASREB)
- Water Resources Authority (WRA)
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2023-2024	2022-2023
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	4,034,589	3,857,793

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Total	4,034,589	3,857,793
b) Purchases from related parties		
Purchase of water from govt service providers	7,184,370	13,357,350
Others (specify)		
Total	7,184,370	13,357,350
b) Grants from the Government		
Grants from National Govt Agencies	364,045	573,963
Grants from County Government	7,108,430	14,074,564
Donations in kind		
Total	7,472,475	14,648,527
d) Key management compensation		
Directors' emoluments	353,940	2,517,460
Compensation to key management	10,504,596	14,097,396
Total	10,858,536	16,614,856

32. Financial Risk Management

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

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

(i) Credit risk

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

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

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:

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	Total amount	
	Kshs	
At 30 June 2024		
Trade Receivables	237,297,606	
Other Receivables	11,940,652	
Bank balances	17,087,531	
Total	266,325,789	
At 30 June 2023 (previous Year)		
Receivables	226,104,353	
Other Receivables	11,940,652	
Bank balances	17,260,967	
Total	255,305,972	

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 current year				
Trade payables	3,409,038	5,514,220	33,293,953	42,217,210
Current portion of borrowings		1,577,458		1,577,458
Provisions	272,399	888,930	9,738,320	10,899,649
Deferred income	932,355			932,355
Employee benefit obligation	1,019,203	3,046,864	100,146,129	104,212,196
Total	5,632,994	11,027,471	143,178,402	159,838,867
At 30 June 2022 previous year				
Trade payables	4,352,698	7,559,600	25,875,785	37,788,083

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Current portion of borrowings				-
Provisions	327,191	981,573	7,200,306	8,509,070
Deferred income			296,352	296,352
Employee benefit obligation	1,831,153	4,580,583	77,975,462	84,387,198
Total	6,511,042	13,121,756	111,347,905	130,980,703

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

i) Management of interest rate risk

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

ii) Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Company's ability to continue as a going concern. The Company's capital structure comprises of the following funds:

	2023-2024	2022-2023
	Kshs	Kshs
Revaluation reserve	7,665,670	7,665,670
Retained earnings	(147,524,564)	(154,514,478)

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Capital reserve	67,813,648	66,996,639
Total funds	(72,045,246)	(79,852,168)
Total borrowings	0	1,577,458
Less: cash and bank balances	17,087,531	17,260,967
Net debt/(excess cash and cash equivalents)	(89,132,778)	(98,690,593)

33. Incorporation

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

34. Events After the Reporting Period

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

35. Currency

The financial statements are presented in Kenya Shillings (Kshs).

19. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Undisclosed Material Uncertainty Relating to Going Concern</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June 2022 revealed that the Company recorded a profit before tax of Kshs.6,802,006 which reduced the retained earnings balance from negative Kshs.117,242,257 to negative Kshs.110,440,251. Further, the current liabilities balance of Kshs.268,161,623 exceeded the current assets balance of Kshs.236,602,020 resulting to a negative working capital of Kshs.31,559,603. The Company therefore, technically insolvent and was unable to meet its financial obligations as and when they fall due.</p> <p>In the circumstances, this is an indicator of an acute financial challenge facing the Company which raises significant doubt on its ability to continue to operate as a going concern without support from the creditors and the County Government.</p>	<p>We do acknowledge that the current liabilities balances exceed the current assets balance. It is also evident that the retained earnings balance has reduced in the current financial year and we have made effort to reduce the negative working capital figure of Ksh31, 559,603 as compared to the previous financial year.</p> <p>It is important to note that Kericho Water and Sanitation Company Limited took over the operation of Tililbei Water and Sanitation Company and its assets and liabilities were transferred to Kericho Water and Sanitation Company Limited in the year 2018. In addition, when devolution started, Bomet Water Company took over the operations within Bomet County, which was, then under the service area of Tililbei Water and Sanitation Company.</p> <p>The company has been operating using two non-cost reflective distinct tariff i.e. for the urban and rural cost centre, which did not cover its costs of operations.</p> <p>Out of the negative retained earnings of Kshs.110,440,251 , a negative retained earnings Kshs 37,735,997 were transferred from Tililbei Water and Sanitation Company. In addition, out of the current liabilities Ksh268,161,623, Kshs 100,693,439 were transferred from Tililbei Water and Sanitation Company.</p> <p>In the short term we have done the following:</p> <ul style="list-style-type: none"> In the current financial year, we managed to reduce trade and other payables through a grant Kshs 43,093,442 and also the County Government of Kericho gave a subsidy support totalling Kshs 31,814,000 for bulk water and electricity bills <p>In the long term we intend to do the following:</p>	Unresolved	Ongoing

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	<ul style="list-style-type: none"> Follow up on the deed of transfer signed stating the asset and liabilities that were shared by the Bomet Water Company and Tililbei Water and Sanitation Company. In the deed of transfer Kshs 25,073,379 of the outstanding liabilities as at 30th June 2018 was to be paid by Bomet Water Company .We have issued written reminders to Bomet County in regards to the outstanding trade and other payables In addition, during the takeover of Tililbei Water and Sanitation Company, Water Services Regulatory Board gave several conditions to be undertaken before the takeover and one of them was the County Government of Kericho being the sole shareholder of the two entities to undertake and settle all the liabilities borne by Tililbei Water and Sanitation Company and a subsidy support agreement was signed. Liabilities amounting to Kshs 65,491,846 was to be paid by the county one off and a continuous monthly payment support for bulk water supply and electricity bills for Tililbei Water and Sanitation Company. A reminder to the County Government of Kericho has been issued to remit the subsidy support as per the subsidy support agreement) A tariff review has been done and the company currently has a new tariff which was rolled out in month of March 2023. With the new tariff we expect an increase in operating revenues <p>Last mile connectivity: With the completion of Duka Moja Project under the CLOT 3 last mile connectivity is key. Proposals on funding have been developed and submitted to various development partners including the embassy of Japan who have signed an agreement to do last mile connectivity at Ainamoi Area and Belgut Technical Training Institute</p>																										
<p>Long Outstanding Debtors</p> <p>The statement of financial position and as disclosed in Note 19 (a) to the financial statements reflects Kshs.217,008,449 relating to trade and other receivables. An ageing analysis reflected in Note 19 (b) indicates that out of Kshs.217,008,449, an amount of Kshs.203,255,899 had remained uncollected for a long period and no provision for bad debts has been reported in the financial statements. The Management did not provide any evidence of any attempts made towards recovery of the debts.</p> <p>In the circumstances, the recovery of the long outstanding debts amounting to Kshs.203,255,899 is doubtful.</p>	<p>We have a long outstanding debt of Kshs.203,255,899 .The debtors balances comprises of debts for various water supply schemes as shown below.</p> <table border="1" data-bbox="913 1077 1585 1423"> <thead> <tr> <th>Scheme</th> <th>Amount(Kshs)</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Kericho Urban</td> <td>69,870,262</td> <td>Operational</td> </tr> <tr> <td>Chesinende</td> <td>3,568,503</td> <td>Non-operational</td> </tr> <tr> <td>Fortenan</td> <td>3,898,110</td> <td>Operational</td> </tr> <tr> <td>Sossiot</td> <td>3,223,944</td> <td>Operational</td> </tr> <tr> <td>Kipkelion</td> <td>1,173,069</td> <td>Operational</td> </tr> <tr> <td>Kapkatet</td> <td>14,880,840</td> <td>Operational</td> </tr> <tr> <td>Kipsitet</td> <td>6,515,347</td> <td>Operational</td> </tr> </tbody> </table>	Scheme	Amount(Kshs)	Status	Kericho Urban	69,870,262	Operational	Chesinende	3,568,503	Non-operational	Fortenan	3,898,110	Operational	Sossiot	3,223,944	Operational	Kipkelion	1,173,069	Operational	Kapkatet	14,880,840	Operational	Kipsitet	6,515,347	Operational	Unresolved	Continuous
Scheme	Amount(Kshs)	Status																									
Kericho Urban	69,870,262	Operational																									
Chesinende	3,568,503	Non-operational																									
Fortenan	3,898,110	Operational																									
Sossiot	3,223,944	Operational																									
Kipkelion	1,173,069	Operational																									
Kapkatet	14,880,840	Operational																									
Kipsitet	6,515,347	Operational																									

Bargeywet	2,563,525	Non-Operational
Londiani	3,787,307	Operational
Litein	27,185,708	Operational
Sigowet	212,620	Non- Operational
Bomet	45,490,212	Non- Operational
Vat Recoverable	8,782,552	
Staff Receivables	163,247	
Other Receivables	11,940,652	
	203,255,899	

From the table above the rural cost centre covers Chesinende , Fortenan, Sosiot ,Kipkelion , Kapkatet ,Kipsitet, bargeiywet, Londiani, Litein ,Sigowet and Bomet schemes having a total debt of Kshs 112,499,186 while the urban cost centre has a debt of Kshs 69,870,262. Out of Kshs 112,499,186 of the rural cost centre Kshs 45,490,212 relates to debtors in Bomet County. Sigowet, Bargieywet and Chesinende schemes are no longer operational and have a total debt of Kshs 6,344,648. Included in other receivables is Kshs 8,100,000 debt, which belongs to the County Government of Kericho and Kshs 3,840,652 as Performance Guarantee to the Water Service Regulatory Board.

Litein Water Supply serving Litein and Kapkatet Areas has had inconsistencies in water supply due to frequent disconnections of bulk water supply. Additionally, Londiani, Kipkelion and Sosiot Schemes there has been inconsistencies in water supply due to power disconnections. With inconsistencies in water supply, revenue collection is difficult thus increase in debt.

With frequent damages and destruction of main pipeline network at some sections by road construction activities, the company loses customers and is not to bill and collect outstanding debts Chairman, in the short term in an effort to reduce the outstanding water we have the done the following:

- Development of a debt management policy
- Revenue collection strategies have also been put in place to ensure that debts have reduced. Establishment of revenue teams headed by a team

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	<p>leader is in place. Revenue collection is done as per the work plans developed by the team leaders and this has led to reduction in debt in some zones .</p> <ul style="list-style-type: none"> • Disconnection of Customers from the main pipeline for dormant customer accounts. • Adhering to the rationing program to reduce on no water cases. This will improve water supply consistency which in turn increases collection and billing • Frequent Rapid Result Initiative to collect revenue which reduced debt. • Restoration of Water Supply. We have managed to restore along Kaptebeswet –Kipsolu road. <p>In the long term, we intend to the following:</p> <ul style="list-style-type: none"> • Fully implement the debt management policy • Support the effort by the joint interim on the management of Litein Water Supply to ensure that there is a permanent solution on bulk water disconnections. • Collaborate with roads department to ensure there is budgetary allocation for pipeline restoration in affected areas. <p>1.</p>		
<p>Unsupported and Doubtful Other Receivables</p> <p>The statement of financial position reflects Kshs.217,008,449 in respect to trade and other receivables which, as disclosed in Note 19 to the financial statements includes VAT recoverable and other receivables balances of Kshs.8,782,552 and Kshs.11,940,652 respectively. However, as reported in the prior year audit report, the Kshs.8,782,552 was not supported with any documentation from Kenya Revenue Authority (KRA) and Kshs.8,100,000 out of the reported Kshs.11,940,652 relates to purchase of share capital by the County Government of Kericho which had not been paid for and has not been supported by share certificate and an undertaking from the County Government to pay the amount.</p> <p>In the circumstances, the recoverability of the reported VAT recoverable and other receivables balance of Kshs.16,882,552 could not be confirmed</p>	<p>The amount of VAT Receivable resulted when water services were VAT exempt and input vat was claimable. Previously claims were done and the same refunded. The VAT Receivable amount is currently in discussion with the KRA Kericho Office</p> <p>On the share capital a reminder letter to the pay share capital has been sent the County Government</p>	Unresolved	30 th June 2024
<p>Frozen Bank Accounts</p> <p>The statement of financial position and as disclosed in Note 20 to the financial statements. reflects a balance of Kshs.13,501,900 in respect to bank and cash balances.</p>	<p>The amounts in the three bank accounts were frozen in the year 2010 through a court order by the board of directors of Chemosit Water and Sanitation Company upon the</p>	Unresolved	Continuous

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<p>However, bank balances amounting to Kshs.5,669,743 in three (3) Kenya Commercial Bank accounts were in frozen due to litigation. The operations of the Company were hindered during the year under review as the amount was not available to the company.</p> <p>In addition, it is not clear, and management has not indicated when and how the case will be determined.</p> <p>In the circumstances, the recoverability of the indicated bank balances amounting to Kshs.5,669,743 could not be confirmed.</p>	<p>termination of the service Provision Agreement by Lake Victoria South Water Services Board.</p> <p>Two court cases were filed and currently the cases were ruled in the favor of Lake Victoria South Water Services Board. <i>Annex 5 Court Rulings</i></p> <p>Currently progress on unfreezing the accounts is ongoing by the legal team</p>		
<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects a final receipts budget and actual receipts on a comparable basis of Kshs.402,779,269 and Kshs.257,687,818 respectively resulting to an under-funding of Kshs.145,091,451 or 36% of the budget. Similarly, the company expended Kshs.313,591,293 against an approved budget of Kshs.381,898,002 resulting to an under-expenditure of Kshs.68,306,709 or 18% of the budget.</p> <p>Failure to achieve budget implies that the Company was unable to achieve its set targets, which is delivery of service to the people of Kericho.</p>	<p>The company did not achieve its budget targets in the financial year.</p> <p>In the case of receipts, revenue is categorized into three sources i.e. the operating revenue, grants income and other income.. Out of the performance difference kshs 55,968,651, the urban cost centre had a variance of kshs 35,349,937 while the rural cost centre had a variance of kshs 19,657,131, while billings for other services contributed Kshs 961,583 out of which reconnection fees had a variance of Kshs 522,800.</p> <p>In the financial year, revenue projects were done in consideration of the already reviewed tariff which was anticipated to take effect in the second quarter of that financial year but it took longer. In addition, the various schemes were affected by the prolonged droughts reducing the water available for sale, bulk water disconnections at Litein and Kapkatet areas , power disconnections at Londiani, Kipkelion and Sosiot schemes.</p> <p>On the other hand expenses realization goes hand in hand with the income budgeted. The whole budget was not realized due the above factors.</p> <p>To mitigate the variance , a review of the budget will be done mid financial year</p>	Resolved	
<p>Non-Revenue Water Management</p> <p>Review of water production records revealed that the Company produced a total of 3,645,781 cubic meters (m³) of water, out of which 1,729,915 m³ was billed to customers for a total of Kshs.122,901,729. The balance of 1,915,866 m³ or approximately 53% of the total volume produced represented non-revenue water which was 28% over the allowable loss of 25% in the guidelines issued by the Water Services Regulatory Board (WASREB).</p>	<p>We acknowledge that NRW is higher than the allowable which is 28% above the 25% recommended by Water Services Regulatory Board (WASREB).</p> <p>The major causes of high NRW in the Company are physical loses and commercial loses. Physical loses are due to leakages, bursts and overflows through the existing old pipeline supply network while commercial loses are mainly due to metering anomalies and illegal connections.</p> <p>We have done the following in an effort to reduce NRW.</p> <p>In the short term we have done the following:</p> <ul style="list-style-type: none"> • Standard Operating Procedures(SOPs): We have developed standard operating procedures for NRW Management . • We have developed NRW reduction plan. (annex plan) • Re-aligned the NRW Unit into two main teams : one dealing with bursts and leaks and the other dealing with meter servicing, meter and pipeline 	Unresolved	Continuous

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<p>The significant level of non-revenue water of 1,004,421 m³ at an average billing rate of Kshs.72 per m³ may have resulted in loss of sales estimated at Kshs.72,318,312 which has a negative impact on the Company's profitability.</p> <p>In the circumstances, Management was in breach of the WASREB Guidelines and may not have officially utilized the resources at the Company's disposal.</p>	<p>replacements, meter calibration, terminating cut off accounts and illegal connections. This unit is headed by a supervisor</p> <ul style="list-style-type: none"> • Meter Replacement. The latest being of 1200 Nos. meters for the Sub District Metered Areas (DMAs) –Mortgage, Majengo and the 116 Nos. top consumers. This was done partly through the support of Gatsby Africa • Burst and leaks repairs. Leaks and bursts repairs are being done on time and recorded to enable us prioritize on areas that need pipe replacement. • NRW Interdepartmental Committee: We have also established an NRW Committee which comprises of members selected from all the departments that review and track NRW Reduction activities. • We are partnering with the Water Police Unit to deal with defaulters, illegal connections and water theft • Carry out Customer Identification Survey(CIS <p>In the long term, we intend to fully implement the NRW Reduction Plan as follows.</p> <ul style="list-style-type: none"> • A meter testing bench shall be procured and delivered under the KFW long term expansion program CLOT 3 . This will be used to ensure that all meters are accurate in line with NRW management SOP. • Last Mile connectivity: Implementation of last mile connectivity to Sosiot ,Belgut and Ainamoi areas in our service areas . This will increase on billing and reduction of NRW in the Long term • Meter Replacement: As a company, we intend to procure 500No meters for replacement every financial year to ensure meter efficiency. 		
<p>Non-compliance with Public Finance Management Fiscal Responsibility Principles</p> <p>The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects expenditure of Kshs.163,953,017 on staff costs which represents 63.6% of the total revenue of Kshs.257,687,818. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Governments expenditure on wages and benefits for its public officers to be limited to 35% of the total revenue.</p> <p>In the circumstances, the Company Management was in breach of the law.</p>	<p>We acknowledge that the company has high expenditure on staff costs. Out of kshs 163,953,017 on staff costs kshs 128,083,248 relates to gross salary and allowances for employees and kshs12,743,542 relates to employers contribution to the pension schemes.</p> <p>During the financial year, production was largely affected by disconnections of bulk water supply and power bills and prolonged drought. The use of a non-cost reflective tariff also contributed to the reduced revenue. The company has a collective bargaining agreement in place in regards to staff costs. In addition, most of the staff were inherited from the defunct municipal council and National Water and Pipeline Corporation.</p> <p>In the short term we have always encouraged our staff to go on early retirement. In this financial year, we have had 2No staff request for early retirement.</p> <p>Additionally we are not replacing staff who have retired and minimize on overtime.</p>	Unresolved	Continuous

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	In addition to the above ,we are working on reducing NRW further which will allow the company to increase its operating revenue. (refer above) The implementation if the new tariff will also largely contribute to operating revenue.												
<p>Non-Compliance with the One-Third of Basic Salary Rule</p> <p>During the year, it was noted that eleven (11) employees earned a net salary of less than a third (1/3) of their respective basic salaries contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies and Procedures Manual for the Public Service, 2016, which requires that deductions should not exceed a third of the basic pay.</p> <p>In the circumstances, the Management contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and this may expose the staff to pecuniary embarrassment</p>	Employees are members of savings and credit cooperatives societies (SACCO'S), and the SACCO's approve loans based on guarantors whom the company doesn't have any control over on the a third rule. The same is later sent to the company to deduct which results in the non-compliance.	Unresolved	Continuous										
<p>Non-Compliance with Law on Ethnic Composition</p> <p>During the year under review, the total number of employees of the Company was one hundred and seventy-nine (179) out of which one hundred and seventy-three (173) or 96% of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community</p>	Staff working at the Company were staff transferred from the defunct Municipal Council of Kericho and the former National Water and Pipeline Corporation and Conservation therefore major recruitment was done before devolved units of Government came into place. However, as we recruit we endeavour to balance the same to reflect the provisions of the National Cohesion and Integration Act 2008												
<p>Unremitted Retirement Benefits Obligations</p> <p>The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.13,143,036 on current retirement benefit obligations and a balance of Kshs.71,244,161 on non-current retirement benefit obligations. During the audit it was noted that the Company had not remitted employee retirement deductions amounting to Kshs.84,387,167 as detailed below:</p> <table border="1" data-bbox="271 1141 795 1398"> <thead> <tr> <th>Details</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Provident Fund</td> <td>61,760,403</td> </tr> <tr> <td>National Water and Pipeline Corporation</td> <td>11,955,943</td> </tr> <tr> <td>Lap Fund</td> <td>10,670,821</td> </tr> <tr> <td>Total</td> <td>84,387,167</td> </tr> </tbody> </table>	Details	Amount (Kshs)	Provident Fund	61,760,403	National Water and Pipeline Corporation	11,955,943	Lap Fund	10,670,821	Total	84,387,167	<p>We acknowledge that the company has not remitted retirement benefit obligations. The company has been facing financial challenges due to inconsistent water supply and non-cost reflective tariff.</p> <p>Out of Kshs 84,387,167 , Kshs 14,773,017 were inherited from Tililbei Water and Sanitation Company.</p> <p>Currently we are implementing a new tariff and our forecasts would allow us to reduce on the same gradually over time.</p> <p>Lastly we have a request to the County Government of Kericho to support us clear the outstanding amount.</p>		
Details	Amount (Kshs)												
Provident Fund	61,760,403												
National Water and Pipeline Corporation	11,955,943												
Lap Fund	10,670,821												
Total	84,387,167												


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<p>Failure to remit statutory deductions is a breach of the law and may attract penalties and fines to the Company, which will continue to increase liabilities. No provision for the fines and penalties has been factored in these financial statements. Non-remittance of retirement benefit obligation also denies the retirees the due benefit exposing them to unwarranted suffering.</p>			
<p>Unremitted Statutory Deductions The statement of financial position reflects trade and other payables balance of Kshs.224,814,598 which, as disclosed in Note 27 to the financial statements includes employee payables of Kshs.55,678,768 which comprises of unremitted Pay As You Earn tax of Kshs.16,997,425, NSSF Kshs.99,854, NHIF Kshs.439,470, salary arrears Kshs.23,122,985 and other deductions amounting to Kshs.15,321,005 relating to Sacco deductions and loan repayments. Management indicated that failure to submit the statutory deductions was occasioned by lack of funds. Failure to pay statutory deductions is breach of the law and it continues to attract penalties, which continues to increase liabilities to the Company.</p>	<p>We acknowledge the existence of Employee payables amounting to Kshs55,678,768 in relation to employees' salaries. The company has been facing financial challenges due to inconsistent water supply and non-cost reflective tariff. The amounts for NSSF Kshs.99,854, NHIF Kshs.439,470 were for the month of June 2022 .The amount in relation to PAYE of Kshs 16,997,425 , kshs 1,721,401 is June 2022 salaries. The balance of kshs 15,276,024 relates to the financial year 2012/2013 when a CBA was implemented and the amount was due to accumulated arrears. Other Deductions amounting to Kshs 15,329,005 are loans deductions, insurances, net salaries . Salary arrears of Kshs.23,122,985 resulted from an outstanding Collective Bargaining Agreement which is yet to be implemented. In the short term , the amounts relating to June 2022 PAYE, NSSF, NHIF , Other deductions were paid For the PAYE balance a discussion with KRA on the same on modalities of entering into part payment agreement to clear the same</p>		

Name :Kibii Chepkwony Siele

Signature 

Managing Director

Date 

Appendix II: Projects Implemented By The Company

Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kapsoit- Sosiot Water Pipeline Project		Water Fund	6months	84%	Yes	Yes
Kapkatet Public Sanitation Facility	08S/KERICHO/KERICHO/20	Water Fund	6months	84%	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kapsoit- Sosiot Water Pipeline Project	19,348,515	8,892,208	80%	19,348,515	8,892,208	Water Fund and Kewasco
2	Kapkatet Public Sanitation Facility	6,199,219	96,307	1%	6,199,219	96,307	Water Fund and Kewasco

Appendix III: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Fund	09/03/2023	Development	6,191,525	0	5,714,113	477,412	0	0	0
Water Fund	18/05/2023	Development	1,983,750	573,963	1,149,946	259,841	0	0	0
Gatsby Africa /Donor	11/01/2023	Development	4,750,000	0	4,747,358	2,642	0	0	0
Total			12,925,275	573,963	11,611,417	739,895			

