

REPUBLIC OF KENYA



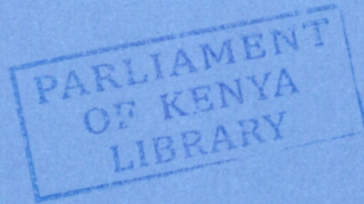
Enhancing Accountability

PAPERS LA	
DATE	14/05/2024
TABLED BY	Sen. Gloria Orwoba on behalf of SML
COMMITTEE	—
CLERK AT THE TABLE	Ms. Cherop

REPORT

OF

THE AUDITOR-GENERAL



ON

**KAPENGURIA WATER AND SEWERAGE
SERVICES COMPANY LIMITED**

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



**KAPENGURIA WATER AND SEWERAGE SERVICES CO LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



KAPENGURIA WATER AND SEWORAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board

2. Key Entity Information

Background information

The Kapenguria water and sewerage company Ltd was established by the 2002 Act of Parliament on (25th may 2006 At County level, the Company is represented by the County Executive Member responsible for water and sanitation, 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

Principal Activities

The principal activity of the Company is provision of water and sewerage services

VISION

To be a leading and most sustainable water service provider in Rift valley and area of coverage

MISSION

To provide reliable, affordable and safe water and sewerage services in an efficient and effective way to the customers in the defined areas through continuous improvement of the company

CORE VALUES

Values are an integral part of any organisation culture which in turn creates a sense of identity, belonging, direction and purpose. in our quest for timely provision of quality services. We shall be guided by the following core values;

- Integrity
- Gender sensitivity
- Efficiency and effectiveness
- Accountability
- Innovativeness
- Customer focused

CORE FUNCTIONS

Provide water and sewerage services within kapenguria municipality and West Pokot County at large as per our Mission statement.

KAPENGURIA WATER AND SEWARAGE SERVICES
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Registered Office:

Kawases Building,
Makutano –Kapenguria Road,
P.O Box 651-30600,
Kapenguria.
Email; Kewasco@Yahoo.Com

Bankers:

Kenya Commercial Bank,
Kapenguria Branch,
P.O Box 396-30600,
Kapenguria.

Corporate Contacts

Telephone: -

E-mail: kewasco@yahoo.com

Website: -

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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3. The Board of Directors

S/NO	NAME	Designation
1	Nelly Andiema	Cairperson (Kapenguria Water and Sewerage Services)
2	Christine Pedoo	Member (Kapenguria Water and Sewerage Services)
3	Jacob Tingaa	Member (Kapenguria Water and Sewerage Services)
4	Chebbet Mungo	Member (Kapenguria Water and Sewerage Services)
5	Leonard Kamsait	Member (Kapenguria Water and Sewerage Services)

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Annual Report and Financial Statements for the year ended June 30, 2023

4. Key Management Team

Name	Qualification	Area of Responsibility
Shadrack Tomeyan	Bachelor Of Commerce / CPA K	Managing Director
Geofry Pkorir	Diploma In Water Engineering	Technical Manager
Brian Toroitich	Diploma In Business Management	Commercial Manager

KAPENGURIA WATER AND SEWAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

5. Chairman's Statement

On behalf of the Board of Directors, hereby present to you the Kapenguria water and sewerage limited Annual Report and financial statement for the year ended 30 June, 2023

The results were possible due the support we have received from our customers, the employees, county Government & all our stakeholders.

I am indebted to my fellow Board members for their invaluable insights & support. I wish to acknowledge the Senior Management & Staff for their valuable support & dedication in reaching these favourable results, without their individual contribution. We once again mark another successful year of KAWASES. Finally on behalf of the Board I would like to thank the National & County Government and Regulatory bodies for the guidance, training & support.


The company has completed its Human Resource Policy, New Salary structure and is now in process is scheme of service for its employees.

The new Muruny-siyoi gravity water Project is ongoing and we expect that once is completed, pumping costs will reduce and ease operation of the company. Currently, our electricity expenses are still giving the company a lot of pressure on company operations.


I am confident that with your continued support, we will once again steer the Company through another successful financial year.

Finally, I wish to thank my fellow Directors, management and staff of the Company for their hard work which has enabled the impressive trading results during the year. I also thank our valued customers for their support and loyalty and assure them of our determination to continually improve the quality of our services.

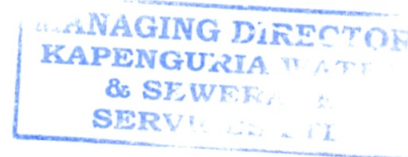
Thank you & God bless you all.



WILLIAM PETOT
C.E.C Ministry of Water



JAMES LOPORNA
Managing Director



KAPENGURIA WATER AND SEWORAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of the Managing Director

It is now eleven years' since Kapenguria Water and Sanitation Company (KAWASES) Limited was formally launched fully with its own Board of Directors and run independently from the Kapenguria Municipality. Undoubtedly, the company has made tremendous strides in the Management and delivery of Water and Sewerage Services within the Kapenguria Town and its Environs. From a small department in the council to a leading Water and Sanitation service provider in the county, the company has always sought to strategically position itself to provide quality services to its customers as it strives to meet the minimum industry standards.

The Management of the company from year 2016 has put in place plans and strategies which are carefully drawn with total management input and commitment to make KAWASES the County Water and Sanitation Services Provider. All has been done with the various legislations, policies and procedures developed and being implemented for the good of the company. Among these include but not limited to, Constitution of Kenya (2010), Water Act (2016), Vision 2030 blueprint amongst others.

To fully implement these Strategies, the management and human resource will play a critical role. The management has since recruited skilled staff for some specific departments for the realization of the Vision and Mission of the Company.

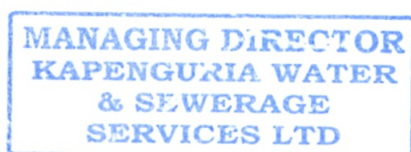
The management's focus will be to have the optimum number of staff with the right skills and attitude and will endeavour to train, motivate and retain the staff with the essential talents and avail good and conducive working environment.

The Company therefore, will strive to nurture the company's Core Values and forge good industrial and customer relations for the achievement of the set objectives.

Thank you and God Bless You.



JAMES LOPORNA
Managing Director



KAPENGURIA WATER AND SEWARAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

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

KAWASES board of directors will develop strategic pillars to be anchored in its 10-year strategic plan.

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage the business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long-term value while taking into account the interest of other stakeholders. Directors are responsible for corporate governance practices of the Company. This statement sets out the main practices in operation during the year under review, unless otherwise indicated.

Directors and Management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good governance is practiced so that the company remain sustainable and viable business of the community stature. As part of this commitment, the Board fully supports best practices in corporate governance and has adhered to the Guideline Governance.

BOARD OF DIRECTORS

The Board consists of five Directors and a Managing Director. The Directors' biographies are on page 4. Directors possess a broad range of skills, qualifications and experience required to direct the Company. At least one third of the Board members are required to submit them for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year is required to retire and seek re-election at the next Annual General Meeting.

Business transactions with all parties, Directors or their related parties are carried out at arm's length.

RESPONSIBILITIES

The primary responsibilities of the Board include: establishment of short and long-term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual financial statements; approval and review of the annual budgets; setting and periodically reviewing key performance indicators and management performance; managing risks by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities; and working with management to realise shareholders' value.

To enable the Board to function effectively the Board is given full and timely access to relevant information. New Directors are also inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, nine Directors have been trained on corporate governance by the Rift Valley Water Services Board. The Board meets at least once a quarterly or more often in accordance with requirements of the business.

BOARD WORK PLAN AND MEETINGS

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 4 meetings during the year, which were very well attended.

Board Committees

KAPENGURIA WATER AND SEWAGE SERVICES

Annual Report and Financial Statements for the year ended June 30, 2023

A number of standing committees exist in order to assist the Board and management fulfil their responsibilities. Each committee operates within the ambit of defined terms of reference assigned to it by the Board. During the year, there was no board of directors and therefore no standing committees.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In recognition of its obligations as a responsible corporate entity, the Board of Directors and management sustained the Company's participation in corporate activities that enhance the social, economic and environmental interests that affect its internal stakeholders.

The Environment Our business has been a major beneficiary of wood products. We have, therefore, undertaken to contribute towards national a forestation initiative in collaboration with the Forest Department. Since 2012, the Company has sustained a tree-planting programme at Kaposi's water catchment area, Kapkoris catchment and kamaruny area. Also, further encouragement to individual farmers to planted trees along the upstream.

Stakeholder Awareness.

Operate and, consequently, we have endeavoured to contribute to initiatives that impact on improvement of their social well-being.

In order to facilitate awareness and understanding of various aspects and nature of our service, we carried out various awareness campaigns through print and electronic media and also organised face-to-face meetings with a view to reach a wide cross section of our customers and other stakeholders.

Our Human Capital

It is in our interest to continue investing in the development of our human capital as a prerequisite to meeting expectations of our employees and customers. Consequently, we continued to offer various groups of our employees training opportunities to learn new skills and develop careers, locally. All employees also undergo an annual performance appraisal, which includes identification of training and development needs.

Stakeholders

As a service provider that is well aware of its obligations to its customers, we drafted a Customer Charter detailing our obligations to them. We invited customers under the umbrella of resident associations and other interest groups to a meeting to debate and suggest how to enhance our services. Consequent to this interaction and in recognition of the value of partnerships and dialogue in order to better understand the needs of our customers.

Education

Our support to education-related initiatives stems from the fact that the pool of skilled manpower that help to drive the success of our Company are a product of the **country's education system**. We, therefore, continued to provide opportunities for attachment for Kenya Water Institute students and those from tertiary institutions, to enable them acquire a hand- on experience and fulfil a requirement for graduation. We also provide 5 position every year for internship. During the year under review, 17 students went through the attachment programme at KAWASES

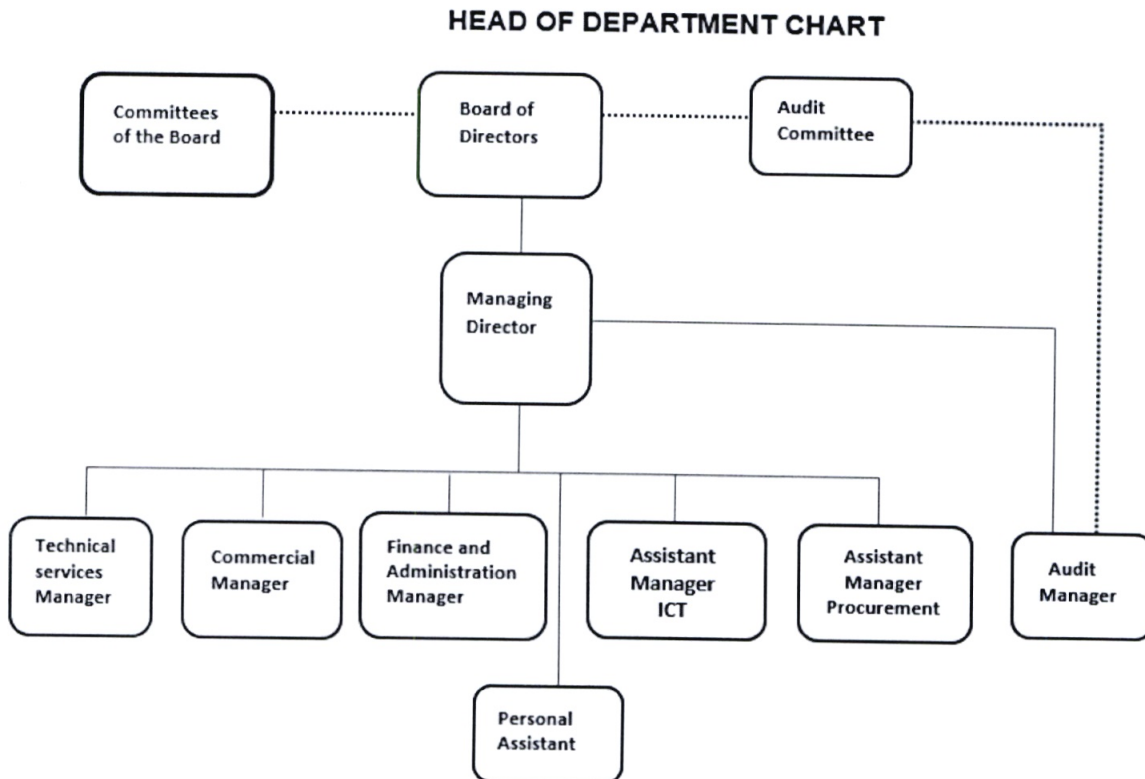
KAPENGURIA WATER AND SEWAGE SERVICES
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9. Management Discussion and Analysis

Kapenguria water and sanitation services company ltd was formed and registered in 2006 and issued with certificate of incorporation on 26/5/2006 but it became fully operational in 2008. Its mandate is to supply water and sewerage services to urban centres within west Pokot County with cumulative population of about 120,000 people. There were eight water supplies that were handed over to the company by rift valley water service board namely: Kapenguria, Makutano, Tartar-Keringet, Kachelipa, Ortum, Chepareria, Karas, and Sigor. Currently Kachelipa and Sigor water supplies are not operational and Muruny/Chepareria is being managed by the community after expiry of an MOU between the community and the county Government. In the MOU THE COUNTY Government was to manage the water scheme for five-year w.e.f 2014 to 2019. The MOU needs to be reviewed and decision made in accordance with WATER ACT 2016 and WASREB regulations.

. MANAGEMENT STRUCTURE OF THE COMPANY

Bellow is the ideal and desired management structure of the company. The current status does not comprise of all the departments and committees.



KAPENGURIA WATER AND SEWORAGE SERVICES

Annual Report and Financial Statements for the year ended June 30, 2023

BOARD OF DIRECTORS

The last board's term expired in 2016, The Company has been operating with a slim board of directors up to September 2019 that comprised of the CEC and CEO Ministry of Water and one representative of consumers.

An ad hoc board of directors comprising of three members (**CEC Finance, CEC Water and a Representative of Other County Sectors/Bodies**) was constituted to manage the affairs of the company. They were also tasked with constituting the full board of directors.

WATER SUPPLY

No	Water Supply	Source	Mode Of Supply	Water Production per day. M ³	Water Demand Per Day. M ³	Remarks
1	Kapenguria	Surface water- river	-Pumping 6 pump sets 3 pumping station	360	700	Operational
2	Makutano	„	Pumping 6 pump sets 2 pumping stations	360	1800	operational
3	Tartar-Keringet	„	Pumping 3 pumps 2 pumping stations	270	550	operational
4	Karas	„	Pumping	130	500	operational
5	Chepareria	„	Gravity	1,800	6000	Operational /managed by the Muruny WUA
6	Ortum	„	Gravity	480	500	Operational
7	Sigor	„	Gravity			Stalled
8	Kacheliba	borehole	Pumping			Works ongoing by min of water
TOTAL				3,400	10,050	

Total registered water connections are **2488** out of which 506 are active. (Metered **177** and **327** average and **1979** under disconnection)

SEWERAGE SERVICES

We exhaust sewage from our clients in west Pokot County and ferry it 40 kms away to Kitale sewerage treatment works in Trans Nzoia County. The exercise is not very economical because of the costs involved i.e. tire and wear, fee and labour charges etc.

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Considering the above data, the company has a budget defect of ksh 17,426,400. Despite the fact that the county government pays for electricity and chemicals a mounting to **Ksh 11,290,000** the company still has an annual budget deficit of **Kshs 6,136,400**.

ADMINISTRATION/HUMAN RESOURCE DEPARTMENT

Gaps exist in our current staff establishment. The company has a total of 53 staff on regular and contract. 14 out of this staff are stationed in Muruy/Chepareria scheme. Some of the personnel that we are lacking are:-Internal auditors, legal officers, ICT officer, human resources etc. We are unable to recruit them because of our financial limitation.

TRANSPORY

- One Motorbikes-grounded
- Pick up Nissan- grounded
- Two exhausters' tracks – serviceable but one needs replacement of steering pump

CHALLENGES

NO	CHALLENGES	CAUSE	MITIGATION MEASURE.	LIMITATION
1	Inadequate water for sale	1. Frequent break downs of pumping and electrical machines due to old age.	1. Repairs. 2. Installation of new machines of higher capacity. 3. Resort to gravity schemes	Finance/Resour ces
		2. vandalism of pipes line i.e. Chepareria	1. Line patrols. Community and local / political leaders' negotiations.	”
		The water supplies have outlived their design demand.	1.Install new machines 2.expand pipe sizes	”
		3. Lack of water flow in the rivers during dry season due to illegal water diversion	Warma, County And National Gorv To Act	
		4.An unaccounted for water	Replacement and servicing of old meters	”
		5. Illegal connections.	2. Carryout regular inspection.	On going, but we lack of finances to buy materials
		6. Old and blocked service lines.	3. Form response team to unblock and maintain lines.	”

KAPENGURIA WATER AND SEWAGE SERVICES

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		7. Ongoing unending rehabilitation of kapenguria and makutano w/s	Consultation with client RVWSB, Min Of Water And Consultant	
		8. Some areas are under served due to increased water demand and low production.	INSTATOLLATION OF PUMPS WITH HIGH CAPACITY.	
2	Poor billing and revenue collection methods.	1.Lack of finance to procure advanced billing software.	2. Seek finances to procure billing soft wear	
		2. unsecure methods of collecting revenue	1. Introduction of pay bill number. 2.Direct deposits to bank account by client	Done/In place
3	Lack of advanced accounting packages/soft wear		Procure advance accounting packages	Lack of finance
4	Low Metered Connections	1.Faulty and not functional meters		
		2. Most consumers were fitted with flat rate connections at the beginning.	Change from flat rate to metered.	„
	High costs of running machines.	1. Electricity bills and frequent break downs due to aged parts.	2. Resort to cheaper schemes like gravity schemes.	Both national/county government
5	Lack of transport means	grounded vehicle and motor bikes	1. Seek assistance from min of water. 1. repair of motor bikes and vehicle	When funds are available.
6	Difficulty in collecting huge amount money owed to the company amounting to Ksh 8 million.	Lack of legal frame work i.e. county water policy	1. Enact laws and engage legal services.	

KAPENGURIA WATER AND SEWARAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

7	Demoralized staff.	<ol style="list-style-type: none"> 1. Lack of motivation- 2. Salary arrears owed to staff for 5 months in 2017 and 2 months 2018 3. Lack of finance to pay salary in time. 4. Lack of facilitation i.e. tools, transport, protective clothing etc 5. Aged staff 	<ol style="list-style-type: none"> 1. Improve revenue collection- 2. Seek for funds from County Government. 3. Talk and give hope to staff.\ 4. Retire aged staff 5. Repair grounded three motor bikes and pickup 6. Retire all staffs above 60 years of age 	<p>Currently there is no means of transport. All motor bikes and the pickup are all grounded. Staff walk to the field or use boda bada .</p>

10. Environmental and Sustainability Reporting

KAWASES exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

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

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Corporate Social Responsibility / Community Engagements

KAWASES engaged in corporate social responsibility by way of contributions made to the Ministry of Water for tree planting activities.

KAPENGURIA WATER AND SEWERAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of the Directors

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

i) Principal activities

The principal activities of the Company are water service provision and sewerage services.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page ...1. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not issued shares. It is fully owned by the County Government.

iv) Directors

There were no members of the Board of Directors who served during the year.

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 or Certified Public Accountants to carry out the audit of the Company for the year/period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name..... *James Laparwa*

Signature..... *[Handwritten Signature]*

Date..... *15th March 2024*

Corporate Secretary/Secretary to the Board



11. Statement Of Directors' Responsibilities

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

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

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

Statement of Directors' Responsibilities (Continued)


The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

KAPENGURIA WATER AND SEWARAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

Approval of the financial statements

The company financial statements were approved by the Board on 15th March 2024 and signed on its behalf by:

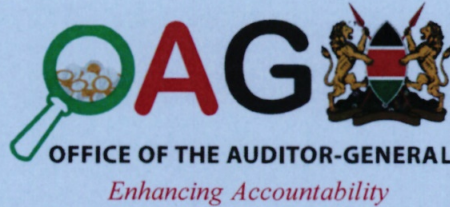
Signature 
Name **NELLY ANDIEMA**
Chairperson of the Board

Signature 
Name **JAMES LOPORNA**
Managing Director



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAPENGURIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kapenguria Water and Sewerage Services Company Limited set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2023 and the statement of profit and loss

Report of the Auditor-General on Kapenguria Water and Sewerage Services Company Limited for the year ended 30 June, 2023

and other comprehensive income, the statement of 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Kapenguria Water and Sewerage Services Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

The statement of financial position and statement of changes in equity do not include capital and reserves of the Company which stood at Kshs.100,000 and Kshs.2,496,486 respectively as at 30 June, 2023. No explanation or reconciliation was provided for not including the balances in the financial statements. Similarly, retained earnings at the beginning of the year of Kshs.430,128 reflected in both financial statements differ from the deficit reflected in the audited financial statements of 2021/2021 of Kshs.20,071,840 resulting in an unexplained/unreconciled variance of Kshs.20,501,968. Further, the statement of cash flows reflects cash and cash equivalents of Kshs.1,707,767 as at 30 June, 2023 while re-casting reflects an amount of Kshs.1,677,766 resulting in an unexplained variance of Kshs.30,001.

In addition, the restated balances in the statement of financial position were not explained or supported.

In the circumstances, the accuracy of the financial statements could not be ascertained.

2. Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.10,750,774 as disclosed in Note 13 to the financial statements. However, the supporting schedules and ledgers were not supported by the aging analysis to show for how long the receivables have remained outstanding. Further, a detailed analysis on trade and other receivables reflected a total of Kshs.24,016,099 as outstanding while the statement of financial position reflects a balance of Kshs.10,750,774 implying a direct net of opening balance of Kshs.13,265,325.

In the circumstances, the accuracy and completeness of trade and other receivables of Kshs.10,750,774 could not be confirmed.

3. Unsupported Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.11,346,204 while Note 14 to the financial statements reflects a balance of Kshs.11,546,204 resulting in an unexplained variance of Kshs.200,000. An ageing analysis on the trade and other payables was not provided for audit. Further, review of the records provided revealed that a total of Kshs.9,271,695 as outstanding while statement of financial position reflects Kshs.11,346,204 resulting in an unexplained variance of Kshs.2,074,509.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.11,346,204 could not be confirmed.

4. Unsupported Customer Deposits

The statement of cash flows reflects customers deposits balance of Kshs.231,000 as disclosed in Note 15 to the financial statements. However, the supporting schedules including customer deposit agreements and customer deposit movement schedule/ aging analysis on the accumulated customer deposit were not provided for audit. Further, the balance has not been reflected in the statement of financial position as a payable.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.231,000 could not be confirmed.

5. Un-Metered Water Production Zones

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.13,932,770 which includes water sales amount of Kshs.11,964,820 and as disclosed in Note 6 to the financial statements. However, the Management failed to install and operationalize bulk meters in six (6) different production zones. As result, it was not possible to establish the total volume of water produced in cubic metre (m³) and further determine the acceptable level of the Non- Revenue Water as provided by the WASREB standards. This was contrary to Section 3(4) of Water Services Regulatory Board (WASREB) Standards for Non-Revenue Water Management guidelines, 2014 which stipulates that the acceptable levels of non-revenue water should be between 20-25% and also Chapter 5.2.7 of the Non-Revenue Management Standard -Guidelines (WASREB) 2022 which provide that bulk meters required for measuring all the production are read on monthly basis without failure to accurately calculate monthly total production.

In the circumstances, the accuracy and completeness of water sales amount of Kshs.11,964,820 could not be ascertained.

6. Non-Installation of Meters for Registered Customers

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.13,932,770, which includes water sales amount of Kshs.11,964,820 as disclosed in Note 6 to the financial statements. However, there were 3,289 registered customers as at 30 June, 2023 out of whom 445 or 14% of the total customers were fitted

with meters, which is less than the acceptable 95% as per the requirements of WASREB. The remaining 2844 or 86% of the total customers were not fitted with water meters as at 30 June, 2023. Further, the Management had billed all the un-metered clients at Chepararia zone and Karas Zone with a flat rate of 12 cubic meter(m³) at Kshs.500 per month. No justification or approved documentation for the billing of the customers with the flat rate was provided.

In the circumstances, the accuracy and completeness of water sales amount of Kshs.11,964,820 could not be ascertained.

7. Unsupported Property, Plant and Equipment

The statement of financial position reflects a nil balance on property, plant and equipment. As previously reported, all the Company assets are leased from Rift Valley Water Works Development Agency. However, the lease agreements for these leased assets were not provided for audit. Further, the nature of the lease(s) was not confirmed and the leases were not accounted for in line with IAS 17 paragraph 22 which requires that at the commencement of the lease term, lessees shall recognize finance lease as assets and liabilities in their statements of financial position. IAS 17 paragraph 31 further requires a lessee to disclose for finance leases the net carrying amount at the end of the reporting period and a reconciliation between the total future minimum lease payments at the reporting period and their present value.

In the circumstances, the accuracy, validity and completeness of the property plant and equipment nil balance could not be confirmed.

8. Material Uncertainty Related to Going Concern

The statement of financial position reflects the total current liabilities of Kshs.22,377,099 as at 30 June, 2023 which exceeded total current assets of Kshs.17,112,216 resulting in a negative working capital of Kshs.5,264,883. This results in current ratio of 0.76 against a recommended current ratio of 1:2.

In the circumstances, the Company was technically insolvent and dependent on the support of the County Government and creditors to sustain its services.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapenguria Water and Sewerage Services 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 adverse opinion.

Key Audit Matters

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

Other Matter

Prior Year Audit Matters

The audit report of the year ended 30 June, 2022 highlighted various issues under the report on financial statements and the report on lawfulness and effectiveness in use of public resources. Although Management has indicated in the report on progress made in follow up of auditor's recommendations that the matters were resolved immediately while others were unresolved, the actual status of the matters will be confirmed after they are discussed by the legislature.

Other Information

The Kapenguria Water and Sewerage Services Company Limited is responsible for the other information set out on page iv to xxii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The other information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed because of the significance of the matters discussed in the Basis for Conclusion, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare and Obtain Approval for the Budget

The statement of comparison of budget and actual amounts reflects revenue and expenditure budget of Kshs.20,500,000. However, no evidence was provided that the budget was approved by the Board and further submitted to the County Executive Committee Member for Finance for approval and onward transmission to the County

Assembly. This was contrary to Section 149 (2)(j) of the Public Finance Management Act, 2012 which states that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned submit the estimates of an entity, which is a county corporation, to the executive committee member responsible for the entity who, after approving it, shall forward it to the County Executive Committee member for finance.

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

2. Non- Compliance with Law on Fiscal Responsibility

During the year under review, the Company raised total revenue of Kshs.13,932,770. From the revenue, the Company was expected to spend no more than Kshs.4,876,470 (35% of 13,932,770). However, the total expenditure under staff costs during the year was Kshs.7,999,210 which was more than Kshs.4,876,470 by Kshs.3,113,741 or 22.37% of the total revenue raised. This was contrary to Regulation 25(1)(a)(b) of Public Finance Management (County Government) Regulations, 2015, which states that compensation of employees (including benefits and allowances shall not exceed 35% of the equitable share of revenue raised plus other revenues generated by the County Government.

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

3. Non-Compliance with Payment of Statutory Dues

The Company had un- remitted statutory dues amount of Kshs.546,767 comprised of pay as you earn (PAYE) Kshs.38,127, National Hospital Insurance Fund (NHIF) of Kshs.230,000 and National Social Security Fund (NSSF) of Kshs.278,640. No explanation or justification was given for the failure to remit the statutory deductions. This was contrary to Regulation 22(2)(a) of the PFM (County Governments) Regulation, 2015 which requires accounting officers to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation.

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

4. Non-Payment/Remittance of Gratuity

Scrutiny of the Company payrolls for twelve months from July, 2022 to June, 2023 for fifty-five employees who are employed on contractual basis, together with sampled employee personal files, revealed that the company does not pay or make provision for gratuity to its employee's whose contracts of services have come to an end, leading to an undetermined amount of gratuity due to the staff who have since exited or due to exit employment from the company. This was contrary to Section 35(5)(6) of the Employment Act Cap 226 No.11 of 2007 which provides that; An employee whose contract of service has been terminated under subsection (1)(c) shall be entitled to service pay for every year worked, the terms of which shall be fixed. No explanation or justification was given for the failure to pay gratuity on the expiry of the contract period.

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

5. Expired Tariff

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.13,932,770, and as disclosed in Note 6 to the financial statements. The amount was generated from an application of a water tariff that was gazzeted on 05 March, 2010 through a Gazette Notice No. 2401 which was more than thirteen (13) years since it was implemented. No explanation or justification was provided for failure by the Company to seek for review and approval of the tariff. This was contrary to Regulation 32(2) of the Water (Services Regulatory) Rules of 2012 that provides that all licenses shall contain the period in which such tariffs may be adjusted at least once in every three (3) years.

In the circumstances, the billing done during the financial year was irregular.

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed because of the significance of the matters discussed in the Basis for Conclusion, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Information Technology (IT) Internal Controls

Review of the company information systems reveled that the Company has a Billing Management System.However, the Company did not have an approved IT policy for governance of ICT resources. In addition there is no ICT steering committee to assist in the development of ICT policy framework so as to enable the company to realize long term ICT strategic goals.

2. Lack of Disaster Recovery Plan

The Company did not have in place a disaster recovery plan/business continuity plan, which may assist in ensuring business processes resume with minimal interruptions in the event of a disaster. Moreover, most of the transactions are done manually and the

few computers available in the offices do not have updated anti-virus to protect the hardware and the data from malicious spyware and malwares.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and
- iii. The Company's financial statements are not in agreement with the accounting records and returns.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) 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 the 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 is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

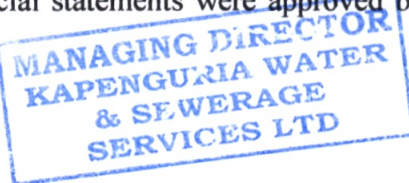
25 April, 2024

KAPENGURIA WATER AND SEWERAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Profit or Loss & Other Comprehensive Income for the year ended 30 June 2023.

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	13,932,770	6,321,641
Grants Income	7		4,665,700
Total Revenue		13,932,770	10,987,341
Expenses			
Staff cost	8	7,999,210	4,982,800
General and Operating expenses	9	4,669,491	11,554,095
Board Expenses	10	-	20,000
Maintenance Expenses	11	581,860	437,450
Total Expenses		13,250,561	16,994,345
Profit/(Loss) Before Taxation		682,209	(6,007,004)
Total Comprehensive Income for the Year		682,209	(6,007,004)

The financial statements were approved by the Board on 19 March 2024 and signed on its behalf by:



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[Handwritten signature]

Name James Loporna
 Managing Director

Name Esther Chelele
 Senior accountant
 ICPAK M/No: 28597

Name Nelly Andiema
 Chairpeson of the Board

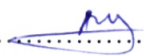
KAPENGURIA WATER AND SEWERAGE SERVICES Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023


15. Statement of Financial Position as at 30 June 2023

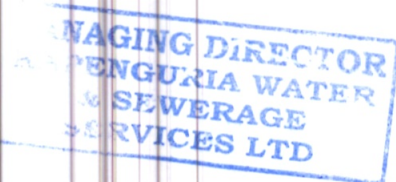
	Note	2022-2023	2021-2022 Restated	2021-2022
		Kshs		Kshs
Financial Assets				
Cash and Cash Equivalents				
Bank and cash balances	12	1,707,767	430,128	430,128
Total Cash and Cash equivalent		1,707,767	430,128	430,128
Account receivables	13	10,750,774	1,631,464	13,265,325
TOTAL FINANCIAL ASSETS		12,458,541	2,061,592	13,695,453
FINANCIAL LIABILITIES				
Current Liabilities				
Accounts payables	14	(11,346,204)	(7,734,691)	(20,817,899)
NET FINANCIAL ASSETS		<u>1,112,337</u>	<u>(5,673,099)</u>	<u>(7,122,446)</u>
Represented by				
Prior Year Adjustments (Balance B/F)	16	430,128	333,905.00	333,905
Surplus/Deficit for the year		682,209	(6,007,004.00)	(6,080,464)
Net financial position		<u>1,112,337</u>	<u>(5,673,099.00)</u>	<u>(6,080,464)</u>

The financial statements were approved by the Board on 15th March 2024 and signed on its behalf by:


 Name James Loporna
 Managing Director


 Name Esther Chelele
 Senior Accountant
 ICPAK M/No: 28597


 Name Nelly Andieme
 Chairperson of the Board




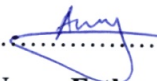
KAPENGURIA WATER AND SEWAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023


16. Statement of Changes in Equity for the year ended 30 June 2023

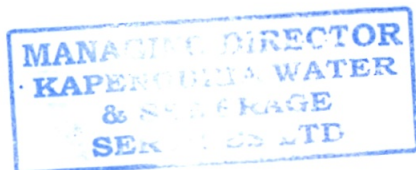
	Not	Retained earnings	Capital/ Development Fund	Total
As at July 1, 2021		6,437,132	-	(6,437,132)
Profit for the year		(6,007,004:00)	-	(6,080,464)
As at June 30, 2022		430,128	-	430,128
As at July 1, 2022		430,128	-	430,128
Profit for the year		682,209	-	682,209
At June 30, 2023		1,112,337	-	1,112,337

The financial statements were approved by the Board on 19 March 2024 and signed on its behalf by:


 Name James Loporna
 Managing Director


 Name Esther Chelele
 Senior Accountant
 ICPAK M/No: 28597


 Name Nelly Andiemba
 Chairperson of the Board




KAPENGURIA WATER AND SEWORAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023


17. Statement Of Cash Flows for The Year Ended 30 June 2023

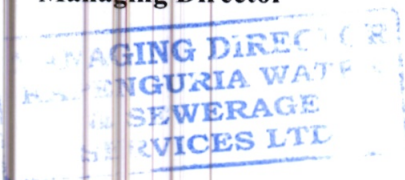
	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Revenue	6	13,932,770	6,282,741
Grants	7		4,665,700
Customer Deposits	15	231,000	61,000
Total Receipts		14,163,770	11,009,441
Payments			
Staff costs	8	7,999,210	4,999,360
Board Expenses	10	-	20,000
General and operating expenses	9	4,699,491	11,572,095
Maintenance	11	581,860	437,450
Decrease / increase in accounts receivables		10,750,774	13,265,325
Increase/decrease in accounts payable		(11,346,204)	(20,817,899)
Increase/decrease in customer deposits		231,000	61,000
Total Payments		12,886,131	9,537,331
Net Cash From/(Used In) Operating Activities		1,277,639	1,472,110
Cash And Cash Equivalents At Beginning Of Year		430,127	333,905
Cash And Cash Equivalents At End Of The Year		1,707,767	430,127

The financial statements were approved by the Board on 1st March 2024 and signed on its behalf by:


 Name James Loporna
 Managing Director


 Name Esther Chelele
 Senior Accountant
 ICPAK M/No: 28597


 Name Nelly Andiemba
 Chairperson of the Board



KAPENGURIA WATER AND SEWORAGE SERVICES
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Operating Revenue	12,400,000	-	12,400,000	13,932,770	(1,532,770)	112%
Grants	8,100,000	-	8,100,000	-	8,100,000	0%
Total Revenue	20,500,000	-	20,500,000	13,932,770	6,567,230	
Expenses						
Staff Costs	6,864,000	-	6,864,000	7,999,210	(1,135,210)	117%
General and operations Expenses	3,236,000.00	-	3,236,000.00	4,669,491.00	(1,433,491)	144%
Maintenance	10,400,000	-	10,400,000	581,860	9,818,140	6%
Total Recurrent Expenditure	20,500,000	-	20,500,000	13,250,561	7,249,439	
Profit or Loss	-	-	-	682,209		

The financial statements were approved by the Board on 1st March 2024 and signed on its behalf by:



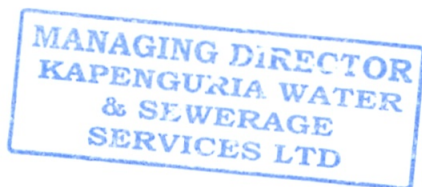
Name James Loporna
 Managing Director



Name Esther Chelele
 Senior Accountant
 ICPAK M/No: 28597



Name Nelly Andiema
 Chairperson of the Board



19. Notes to the Financial Statements

1. General Information

KAWASES Company Ltd is established by and derives its authority and accountability from xxx Act. The Company is wholly owned by the West Pokot County Government and is domiciled in Kenya. The Company's principal activity is provision water and sewerage 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 *NA*

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)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

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

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows...

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line/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	Years	Rates
Freehold Land	-	-%
Leasehold Land	-	-%
Buildings and civil works	-	10 %
Infrastructure works	-	-%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	6	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12	8%

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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.

s) 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.

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2010. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 760 per employee per month.

u) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 15 July 2023. 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 recorded additional appropriations of 0. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of 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 14 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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. Additional disclosure of these estimates of provisions is included in Note NONE.

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.

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales:	11,964,820	3,878,380
Meter rent	200,850	130,150
Bulk water sales	448,100	516,411
Ledger fee	139,600	33,600
Sewerage Services (Exhauster services)	1,179,400	1,724,200
Total	13,932,770	6,282,741

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities-electricity		4,545,700
Operational grants from Government Entities-Chemical		120,000
Total		4,665,700

8. Staff costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salary and Allowances	7,759,810	4,896,320
Employer's contributions to social security schemes	239,400	103,040
Total	7,999,210	4,999,360
The average number of employees during the year	54	

9. General and Operating Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chemicals		168,900
Electricity		5,780,300
Transport and vehicles maintenance	601,478:00	763,540
Office supplies	629,710	460,246
Uniform and protective clothing	42,100	-
Telecommunication, Postage and courier	57,630	54,900
Rent and Rates	48,000	-
Domestic Traveling and subsistence	1,092,310	991,550
Bank Charges	33,481	40,542

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

Publicity and advertising	180,120	-
Audit fees	232,000	232,000
Licensing and levies(WARMA,WASREB)	1,615,752	1,667,090
Hospitality expenses/Welfare	136,910	113,027
Provision for doubtful debts		1,300,000
Total	4,669,491	11,572,095

10. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Sitting allowances	-	20,000
Total Board Expenses	-	20,000

11. Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Plant and Equipment	581,860	437,450
Total	581,860	437,450

12. Cash and and Balances

Name of bank, account no.& currency	Type of account	2022-2023	2021-2022
Kenya commercial bank acc no 1106207744-kapenguria water and sewerage	Operations	835,29	182,549
Kenya commercial bank acc no 110817584-kapenguria water and sewerage	Operations	166,596	118,739
Kenya commercial bank acc no 1110817517-kapenguria water and sewerage	Operations	282,062	78,322
MPESA		390,880	27,000
Cash in hand		32,938	23,518
TOTAL		1,707,767	430,128

13. Accounts Receivables

	2022-2023	2021-2022
	KShs	KShs
Outstanding receivables as at 1 st July 2022 A	13,265,325	13,265,325
Outstanding receivables as at 30 TH June 2023 B	24,016,099	
Net changes in account receivables C=A-B	(10,750,774)	13,265,325

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

As at June 30, the aging analysis of the gross trade receivables was as follows		
Less than 30 days	527,656	-
Between 30 and 60 days	614,293	-
Between 60 and 90 days	635,396	-
Between 91 and 120 days	21,543,941	-
Total	24,016,099	-

14. Accounts Payables

	2022-2023	2021-2022
	KShs	KShs
Payables as at 1 st July 2022 A	20,817,899	20,817,899
Payables as at 30 th June 2023 B	9,271,695	
Net changes in accounts payables	11,546,204	20,817,899

Aging Analysis for Trade and other Payables

	2022/2023	% of the total	Insert Comparative	% of the total
Under one year	1,300,340	14	3,330,864	16
1-2 years	1,949,055	21%	3,747,221	18
2-3 years	2,776,900	30%	6,661,727	32
Over 3 years	3,245,400	35%	7,078,86	34%
Total	9,271,695		20,817,899	

15. Customer Deposits

	2022-2023	2021-2022
	KShs	KShs
Opening Balance	-	1,497,200
Increase in customer deposits during the year	231,000	61,000
TOTAL	231,000	1,558,200

16. Fund balance brought forward

	2022-2023	2021-2022
	KShs	KShs
Bank and cash balance	430,128	333,905
TOTAL	430,128	333,905

17. Related Party Disclosures

County Government of West Pokot

The County Government of West Pokot is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of WEST POKOT 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 West Pokot
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

(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:

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	24,016,099	23,346,099	-	-
Bank balances	1,707,767	1,707,767	-	-
Total	25,723,866	25,053,866	-	-
At 30 June 2022 (previous Year)				
Receivables	16,705,607	16,705,603	-	1,300,000
Bank balances	430,127	430,127	-	-
Total	17,135,734	17,135,730	-	1,300,000

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 company has significant concentration of credit risk on amounts due from Customers.

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.

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 current year				
Trade payables	-	-	9,271,695	9,271,695
Provisions	-	-	670,000	670,000
Total	-	-	9,941,695	9,941,695
At 30 June 2022 previous year				
Trade payables	-	-	20,817,899	20,817,899
Provisions	-	-	1,300,000	1,300,000
Total	-	-	<u>22,117,899</u>	<u>22,117,899</u>

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

20. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the statement of Profit or Loss & Other Comprehensive Income	None	Not Resolved	30 th June, 2024
1.	Inaccuracies in the Statement of Financial Position		Not Resolved	30 th June, 2024
2.	Inaccuracies in Cash and cash Equivalent		Not Resolved	30 th June, 2024
3.	Inaccuracies in the Financial Statement	Error of transposition	Resolved	Resolved
4.	Misclassification of expenses	Expense correctly classified	Resolved	Resolved
5.	Property, Plant and Equipment		Not Resolved	31 st December, 2024
6.	Unsupported Inventory Balance	The company does not hold stock of items	Resolved	Resolved
7.	Unsupported debtors from the Ministry of water	Provision for bad debts and write off of Kshs 1,300,000 was effected in the	Not Resolved	30 th June, 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Financial statements		
8.	Unpaid share capital	The company is fully owned by the County Government	Resolved	30 th June, 2023.
9.	Undisclosed Material Uncertainty Relating to Going Concern	This accumulated deficit has been occasioned by high cost of production due to use of electricity in all pumping stations. To alleviate this, the County Government of West Pokot in partnership with Water Sector Trust Fund has funded several gravity water projects to increase water production at low cost. Consequently, the company will return to profitability by meeting customers demand and cost of production	Not Resolved	30 th June, 2024
10.	Non-Installation of Water Meters	During the year under review, the company experienced financial constraints	Not Resolved	30 th June, 2025

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>coupled with managerial weaknesses hence could not undertake such a critical activity.</p> <p>Currently, with a substantive board of directors and management team in place, the company will endeavour to mobilize resources for installation of meters to registered customers.</p>		
11.	Unaccounted for Water	Work in progress	Not Resolved	30 th June, 2024
12.	Failure to Meet Budgeted Revenue Target	Occasioned by high cost of production	Not Resolved	31 st December, 2024
13.	Long Outstanding Trade Debtors	Work in Progress	Not Resolved	30 th June, 2014
14.	Unsupported Trade and Other Payables	Supporting documentations such as invoices and vendor statements provided	Not Resolved	30 th June, 2024
15.	Cash procurement of Fuel, Oil and Lubricants	Framework Contract signed with Service Provider	Resolved	1 st July, 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
16.	Unsupported Domestic Travel and subsistence Expenditure		Not Resolved	30 th June, 2024
17.	Unsupported Board Expenses	Documents for the county executive ad hoc committee provided	Not Resolved	30 th June, 2024
Basis for conclusion				
1	Presentation and Disclosures in the Financial Statements	Financial statements have been amended	Not Resolved	30 th June, 2024
2	Irregular Cash procurement of Maintenance expenses	Outstanding	Not resolved	1 st July, 2024
3	Late submission of Financial statements	The company has submitted financial statements within the timelines as provided in section 149 (2) (k) of the PFM Act, 2012.	Resolved	30 th June, 2023
4	Unremitted Statutory Deductions	The company currently remits the statutory deductions within the provided timelines	Resolved	1 st January, 2024
5	Non-Compliance with the One-Third of Basic Salary Rule	Occasioned by advance salaries extended to employees during times of financial distress	Not resolved	30 th June, 2024
6	Non-compliance with law on ethnic composition	Work in Progress	Not Resolved	31 st December, 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Lack of Approved Budget	The budget was approved by the county executive committee members for water and finance. Board of Directors have been appointed. They will approve the budget estimates henceforth.	Resolved	1 st July, 2023
8	Lack of Procurement Function	The county procurement function was utilized by the company	Not Resolved	1 st July, 2024
9	Unresolved Prior Year Audit Matters on Recommendation of Oversight Bodies	Work in Progress	Not Resolved	31 st December, 2024
Report on effectiveness of internal controls, risk management and governance				
1	Lack of a Substantive Board	The Board of Directors has been constituted	Resolved	1 st July, 2023
2	Secondment of the Acting Managing Director	The Managing Director has been appointed	Resolved	1 st January, 2024
3	Lack of Service Provision Agreement	The board of Directors will draft and approve a service provision agreement	Not Resolved	31 st December, 2024
4	Lack of Internal Audit Function and an Audit Committee of the Board	The company utilized the county's audit function in	Partially Resolved	30 th June, 20124

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		absentia of a substantive board of directors.		
5	Lack of Risk Management Policy and Strategy	The board of directors will draft and approve a risk management strategy and policy.	Not Resolved	30 th June, 2024
6	Lack of Approved ICT Security Policy	The board of directors will develop and approve ICT security policy	Not resolved	31 st December, 2024
7	Management of Cash and Cash Equivalent	The segregation of duties has been established	Resolved	30 th June, 2023

Name James Loporna

Signature

Managing Director

Date.....



KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

**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)
Muruny Chepareria Water Project	RUP/CPI/1/W/024/006	Water sector Trust Fund	3 years	90 million	YES	NO

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Muruny Chepareria water project	90 million	84 million	100%	90 million	90 million	Water sector trust fund and county government

KAPENGURIA WATER AND SEWERAGE SERVICES LTD ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30 2023

Appendix II: Projects Implemented By the Company

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Muruny chepareria water project	90 million	84 million	100%	90 million	90 million	Water sector trust fund and county government

