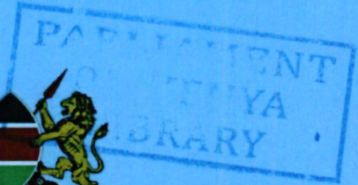


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REPUBLIC OF KENYA



*Enhancing Accountability*



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# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**KERICHO WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

# KERICHO WATER AND SANITATION COMPANY LIMITED

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"Maji safi Kila Wakati"

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## ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2021

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

**Kericho Water and Sanitation Company Limited**  
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**For the year ended June 30, 2021**

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**I. KEY ENTITY INFORMATION**

**Background information**

Kericho Water and Sanitation Company Limited (KEWASCO Ltd) was established by the Kenyan Companies Act. It was incorporated on 15<sup>th</sup> October 1997. At cabinet level, KEWASCO Ltd is represented by the Cabinet Secretary for Water and at the County level by the County Executive in charge of Water and Environment who is responsible for the general policy and strategic direction. KEWASCO Ltd is domiciled in Kenya.

**Principal Activities**

The company continues to provide water and sewerage services within Kericho Municipality and its environs

**Directors**

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

1. Mrs Roselyn Langat Ngeny - Chairman -Appointed on 1<sup>st</sup> July 2020
2. Hon Geoffrey Ruto - Member - Appointed on 29<sup>th</sup> October 2017
3. CPA Francis Kipkoech Langat - Member - Appointed on 1<sup>st</sup> October 2020
4. Hon.CPA Dr. Patrick Mutai - Member - Appointed in 19<sup>th</sup> December 2016
5. Mrs Suzan Cherotich Rero - Member - Appointed on 1<sup>st</sup> October 2020
6. Mr. Kigen Ronald - Member - Appointed on 1<sup>st</sup> October 2020
7. Mrs Charlody Chepkorir Member - Appointed in 6<sup>th</sup> September 2019
8. Mr Julius Tanui Member - Appointed in 6<sup>th</sup> September 2019
9. Mr Simon Kipngetch Serem Member - Appointed in 6<sup>th</sup> September 2019
10. Mr Kibii Chepkwony Siele Member -Appointed on 1<sup>st</sup> July 2020

**Corporate Secretary**

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

**Registered Office**

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

**Corporate Headquarters**

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

**Corporate Contacts**

Telephone: (254) 2020602  
E-mail: info@kewasco.co.ke  
Website: www.kewasco.co.ke

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**Corporate Bankers**

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





**Independent Auditors**

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





**Principal Legal Advisers**

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



## **II. THE BOARD OF DIRECTORS**

|   |   |
|---|---|
| <p>1. Mrs Roselyn Langat- Ngeny</p>      | <p>Mrs. Roselyn Langat- Ngeny (51years) is the board chair. She joined the Board of Directors on 1<sup>st</sup> July 2017 representing the business and manufacturing community. She holds Masters of Arts degree in Gender, Women and Development Studies. She is a business lady with vast experience in management and leadership having worked as Public relations officer with Kenya Post and Telecommunication Company and TELKOM Kenya Ltd. She has other working experience with Electoral Commission and milling Plants.</p> |
| <p>2. Hon. Geoffrey Ruto</p>            | <p>Hon. Geoffrey (41 yrs) joined the Board of Directors on 29<sup>th</sup> October 2017. He has Masters' degree in Environmental management with over 6 years' experience as an environmental advisor. He is representing the shareholder. Hon. Geoffrey Ruto is currently the County Executive Committee member for Water, Environment, Energy, Forestry and Natural Resources.</p>  |
| <p>3. Hon.CPA Dr. Patrick Mutai</p>    | <p>Hon. CPA Dr.Patrick Mutai (39 years) is an expert in finance and economic planning. He joined the Board of Directors in December 2013 representing the County Government of Kericho. He has over 7 years' experience in Finance and Operations Management. Currently he is the County Executive in Charge of Finance and Economic Planning/ Head of County Treasury – a critical portfolio in the County Government.</p>   |
| <p>4. CPA Francis Kipkoech Langat</p>  | <p>Mr Langat (50yrs), an accountant by profession joined the board of directors on 1st October 2020.He holds a masters in Busines Administration –finance option and a member of ICPAK. Mr Langat Chairs the Finance and Administration Committee of the Board. He has over 10 years' experience in finance and auditing in the public sector.</p>  |




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|   |   |
|---|---|
| <p>5. Eng Kigen Ronald</p>           | <p>Mr Kigen(41 yrs) ,an Agricultural Engineer by profession. He joined the board of Directors on 1st October 2020 as a director representing Rural Customers. He serves as the chair of the Technical Services committee of the Board.</p>  |
| <p>6. Mrs Rero Suzan Cherotich.</p>  | <p>Mrs Rero (32 Yrs).She joined the board on 1st October 2020 as a director Representing Institutions. She holds a Bachelor of Commerce Accounting option and has a CPA Part 11.She is the chair Audit and Risk Committee.</p>  |
| <p>7. Ms. Chepkorir Charlody</p>   | <p>Ms.Chepkorir Charlody (29yrs), She joined the board on 6th September 2019 representing Youth, Women and Person with Disability. She holds a Bachelor in Business Management – Purchasing and Supplies from Moi University She has over 3 years’ experience in public administration.</p> |
| <p>8. Mr Simon Serem</p>           | <p>Mr Simon Serem(47yrs) joined the board on 6th September 2019 representing private Institution. He holds a Bachelor of Education from Moi University.</p>   |





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|   |   |
|---|---|
| <p>9. Mr. Julius Tanui</p>             | <p>Mr Julius Tanui (49) years, a teacher. Julius joined the board on 6th Septemeber 2019 representing urban consumers. He holds a Bachelor of Education from Egerton University .He has over 20 years’ experience in teaching</p>   |
| <p>10. Eng Kibii Chepkwony Siele</p>  | <p>Eng. Kibii Siele is the Managing Director and Secretary to the Board .He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University). Prior to his appointment as an MD he served as Regional Manager for KEWASCO rural.</p> <p>His work experiences spans from being a part time lecturer at Egerton University, a research assistant on climate change and a lead researcher on renewable energy with Africa Centre of Technology Studies (ACTS ) and East Africa Regional Climate Innovation Network Egerton chapter (EARCIN).In addition, he has wide experience in water management matters during his tenure as a sub-county water engineer and later as head of monitoring and evaluation at the department of water services Bomet County. Furtherance, as a technical services manager at Tililbei Water and Sanitation Company where at some point as acting MD</p> <p>He has over 10 year work experience in the water sector.</p> |

### **III. MANAGEMENT TEAM**

|   |  |
|---|--|
| <p>Eng. Kibii Chepkwony Siele</p>  | <p>Eng. Kibii Siele (39yrs) is the Managing Director and Secretary to the Board. He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University). Prior to his appointment as an MD he served as Regional Manager for KEWASCO rural.</p> <p>His work experiences spans from being a part time lecturer at Egerton University, a research assistant on climate change and a lead researcher on renewable energy with Africa Centre of Technology Studies (ACTS ) and East Africa Regional Climate Innovation Network Egerton chapter (EARCIN).In addition, he has wide experience in water management matters during his tenure as a sub-county water engineer and later as head of monitoring and evaluation at the department of water services Bomet County. Furtherance, as a technical services manager at Tililbei Water and Sanitation Company where at some point as acting MD He has over 10 year work experience in the water sector.</p> |
| <p>CPA Philis Chelangat</p>      | <p>CPA. Philis Chelangat (37yrs) joined KEWASCO as Commercial and Finance Manager on 2<sup>nd</sup> October 2017. She holds MBA Finance Option (KU), Bachelors in Business Management accounting option (Moi) and a Diploma in Business Management (KIM). CPA-K and a member of ICPAK. Prior to her appointment, she worked as an Accountant at the Salvation Army Territorial Headquarters then as an Internal Audit Manager, Commercial and Finance Manager at Tililbei Water and Sanitation Company and She possesses over 10 years' experience in financial management and 2 years in internal auditing.</p>   |
| <p>Eng. Hillary Ngenoh</p>       | <p>Mr. Hillary Ng'enh (31 years) is a registered graduate engineer with EBK and IEK. He joined KEWASCO on 1<sup>st</sup> September 2017 as Technical Services Manager. He is a holder of MSc. degree in Water and Environmental Engineering (University of Surrey U.K) and a BSc. (Hons) degree in Civil Engineering (JKUAT). He previously worked with County Government of Kiambu as Assistant Resident engineer for Ndumberi-Githunguri road, Questworks Company Limited as graduate structural engineer, CESP Kenya Ltd as Water and waste water research and development project manager as well as at the University of surrey centre of Environmental Health as a researcher.</p>   |

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|  |  |
|--|--|
| <p>Mr Rasto Chepkwony</p>     | <p>Mr. Chepkwony (35 years) joined KEWASCO on 31<sup>st</sup> November 2014 as the Manager responsible for Information and Communication Technology. He is also acting as the Regional Manager in charge of the Rural Cost center. He holds a Bachelor of Science degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology and Masters in Distributed Computing Technology from University of Nairobi. Also CISA Certified.</p>  |
| <p>CPA. Mercy Cherotich</p>  | <p>CPA. Cherotich (39 years) joined KEWASCO on 1<sup>st</sup> August 2014 as Internal Audit Manager. She holds a Master in Business Administration-Finance, Bachelor of Arts (Economics and Sociology) and also a Certified Public Accountant of Kenya (CPA-K). Mercy has over 10years' experience as internal Audit manager and previously worked with Aga Khan University Hospital and Internal Audit Officer. She has also worked as an accounts assistant and audit assistant at Nairobi Hospital.</p> |
| <p>Mr. Patrick Korir</p>    | <p>Patrick Korir (43 yrs) was appointed Procurement Manager on 1<sup>st</sup> September 2015. He holds Bachelor's Degree in Purchasing and Supplies Management from European Business School, Cambridge, England and Masters Master in Business Management (Strategic Mgt option) from University of Kabianga and member of Kenya Institute of Supplies Management. He joined the defunct Municipal Council in 2002 as Clerk. He has over 15 years' experience In procurement</p>                          |
| <p>Mrs Clara Rono</p>       | <p>Clara Rono(36yrs) was appointed as the Human Resources and Administration Manager on 1<sup>st</sup> March 2021. She holds a Master in Business Administration-Human resources Management and a Bachelor of Business Administration</p>  |

#### **IV. CHAIRMAN'S STATEMENT**

I am very much delighted to present our annual financial report for 2020/2021, this reports shows the tremendous achievement the company has achieved despite the challenges of COVID-19 Pandemic. As an entity we are proud of being a successful, growing water company which has made important contributions to the well being of our clients and in the fight against the corona virus menace.

During this time of global uncertainty, we strongly believe that commercial viability of our institution still remains our focus, so as to ensure quality of service delivery is not compromised. Sustaining a strong financial muscle and responsible business models anchored on clear vision can make a huge positive impact not only to our customers and our people but also to the society and the economy of our Nation.

Kericho Water and Sanitation Company (KEWASCO) is a clustered entity made up of rural and urban cost centres, the rural cost centre is highly dependent of subsidies from the County Government of Kericho to meet cost of Bulk water and electricity bills.

Currently the company has an ordinary share capital of KShs 8, 100,000 that is KShs 8,000,000 for urban and KShs 100,000 for rural cost centres. This ordinary share capital is yet to be paid by the shareholder, the non payment for the share capital has been a recurring audit issue by the auditor general.

Bulk water supply from Bomet Water Company still remains as our major challenge due to often disconnections of power and disconnection due to delay in payment by the County Government. The often disconnections has significantly affected our service delivery to the residents of Bureti sub count. I am pleased to note that the shareholder is developing an alternative water supply, we hope at its completion residents of the lower Bureti will be served. The other major challenge is high Non-Revenue Water (NRW) still experienced, currently at an average range of 46 to 51%. Our major contributor of high NRW is physical losses through invisible leakages, this is due to old water supply network, water theft due to illegal connections and puncturing of our system is also another contributor of water loss and subsequently revenue loss to the company.

I am happy to note that the management has set up a vibrant NRW team to carry out surveillance of our pipeline and so far their performance is commendable. Going forward, the Board has approved NRW Policy which shall propose methodological interventions for NRW reduction in both rural and urban cost centers.

Our strategic Plan 2017-2022, the Company aspires to reduce NRW up to 33% in the next five years, in note of this a strategic intervention by the management has been developed known as NRW reduction strategy, it is important to note that the board of Directors are in full support of NRW reduction as it has significant impact on the company performance.

Finally, I would like to thank the corporate management team led by the managing Director Eng. Siele for their efforts. Many thanks also to my Board colleagues for their considerable contribution. As a board we appreciate the dedication, skills and professionalism of our employees in the two cost centres. Above all, I would like to thank our loyal shareholder the County Government of Kericho for their continued support.

I have served on the Board for almost 6 years, four of which as a chair of audit committee and three of

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those as Chairman, and KEWASCO has progressively delivered on its strategy. While it hasn't been without challenges, we are now in the strongest position that I have seen, this is also reflected in our performance as per the impact reports.

We will endeavour to adhere to our core values of Transparency, Integrity, Professionalism, Inovativeness and customer focus.

Thank You,

For  
The.

Roselyn C. Langat Ngeny  
**Board Chairman**

## **V. REPORT OF THE MANAGING DIRECTOR**

I'm delighted to be introducing the Company's financial statement for the year ended 30<sup>th</sup> June 2021. This is my second annual report as a Managing Director. Since joining in this role it has increasingly become clear to me that water service providers while remains an attractive sector to work with, it is entering a period of significant change bringing both challenges and opportunities especially during this period of COVID-19 pandemic.

Kericho Water and Sanitation Company Limited (KEWASCO) is a clustered company of the defunct Tililbei (TILWASCO), and the former Kericho (KEWASCO) Water and Sanitation Companies. Our management model is based on cost Centre basis where each cost center meets its operation and maintenance cost. I am pleased to note that over the recent years after clustering there is significant investment by the shareholder and other sector players in improving water and sanitation provision in the county. These investments have had a positive impact on our service delivery and KEWASCO has seen improvement in ranking as per the impact report.

In addition, despite improved service delivery in recent past, it is also clear there are several areas of the company that need to be strengthened. In note of the aforementioned, I set our focus to three keys long term areas namely: Non-revenue water, Personnel expenditure as a percentage of O&M and Water coverage as priority areas we can improve to navigate us to commercial viability.

The three thematic areas identified requires investment, each of which for example NRW which is still a Challenge requires a clear road map to tackle it, in this regard as a company we have developed a reduction plan with its budget implication, it is worth noting that tackling High NRW requires substantial investment and this where as a company we are seeking support from sector players and from interested partners to work with us, whereas on the case of water coverage a number of programs of water expansion are on course both by the County and National Government.

I am happy to report that KEWASCO despite the challenges our commercial viability is on the right trajectory.

In our strategic plan 2017-2022 a number of areas have also been emphasized, these are but not limited to the following: infrastructure improvement, increased water coverage, increased collection efficiency, prompt repairs of bursts and leakages, increased metering ratio, upgrade of raw water schemes into fully treated water schemes and increased sanitation coverage so as to realize the five thematic areas namely (i) Water and Sanitation Provision, (ii) Operational efficiency, (iii) Financial sustainability, (iv) Collaboration with Sector players and lastly (v) Customer service.

The core mandate of the merged KEWASCO is to provide Water and Sanitation services to the whole of Kericho County. KEWASCO's joint mandated area of coverage is over 644 km<sup>2</sup> while the area currently supplied with water is estimated to be 291 km<sup>2</sup>. The current population being served is about 157,174 persons.

### **1. STAFF ESTABLISHMENT**

The number of staff currently stands at 179(128 Male and 51 Female). A huge portion of our workforce is above 45 years old, indicating an aging workforce. To cover the low staff productivity attributed to the aging workforce, 44 casuals have been engaged.

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## **2. WATER DISTRIBUTION AND MAINTENANCE**

### **Bulk water Supply**

During the 2020/2021 Financial Year, Bulk water supply was characterized frequent disconnections due to non-payments. There huge revenue losses due to lack of supply. The County Government of Kericho has budgeted some amount to pay for the supply however this will not be sufficient to clear the debt as well as pay for the current bills.

## **3. NON REVENUE WATER MANAGEMENT**

The Average Non-Revenue Water (NRW) for the Company was high at 45% during the financial year. NRW is one of the major challenges facing the Company and one of the three areas in which the Company is performing poorly as per the WASREB rankings. The Company has managed to develop a NRW reduction Plan and is currently working jointly with Accompanying Measures Consultant to refine it further. This Plan is a step by step process of subjecting the big NRW problem into 5 key steps:

Moreover, KFW (the donor currently implementing the water supply project in Kericho) would like to see improvements in terms of NRW management among other areas. In this regard a Performance Improvement Plan has been developed jointly that proposes a number of activities to be implemented so as to improve performance. There is financial implications involved with each of these activities in three PIP as well as in the NRW reduction Plan which the company is unable to raise at the moment. However, there is expectation that funds will be available through a Financial Recovery Plan (FRP) process in which the Company has been selected among other few utilities. The FRP targets improvements and recovery in the post COVID-19 era and the main activities proposed by the Company focus on NRW reduction.

## **OTHER KEY COMPANY ACHIEVEMENTS**

- ✚ **Conditional Liquidity Support Grant (CLSG):** The CLSG programme was being implemented with the objective of providing short-term liquidity support to Water Services Providers (WSPs) to maintain operations and service levels during the COVID-19 Crisis and contribute to the Government's efforts in containing the spread of the pandemic. KEWASCO applied for the grant and after evaluation of the submission by Water Sector Trust Fund (WSTF), on 20<sup>th</sup> January 2021, a total of **Kshs. 43,950,279** was approved for KEWASCO for the period of May to August 2020. The breakdown of this amount was: **Kshs. 19,841,000** for fixed grant (QSOF) interventions and **Kshs 24,109,279** for the variable grant for the period.
- ✚ **Licence** – WASREB has agreed to give KEWASCO A new Licence as per the Water Act 2016 after successful application. This is however subject to Public Consultation exercise that shall be conducted on 21<sup>st</sup> September 2021.
- ✚ **Tariff Review-** The Company has managed to apply for a new tariff and it is in the final stages of being approved subject to public consultations.
- ✚ **Clustered Company-** Since the merger in November 2018, huge strides have been achieved in terms of stabilizing the operations of the Company, but this process will take a few years before its full benefits are achieved.
- ✚ **Safe Quality Water** – There has been continuous provision of Safe drinking water to customers. The drinking water quality (DWQ) for the Company has continuously been at the acceptable

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levels according to the regulator-WASREB.

- ✚ **The finance department-** Has been strengthened by integrating the staff from both cost centres to work together. The Company also has accounting software in which ways of it being integrated with the billing software is being established
- ✚ **Human Resource-** There is timely recruitment of personnel whenever there is a vacancy; streamlining and conducting of appraisals half-yearly and yearly and approval and implementation of Collective Bargaining Agreements (CBA) when due.
- ✚ **Audit-** There has been development and implementation of risk-based audit strategy in accordance with the Standards for the Professional Practice of Internal Auditing, guidelines and best practices. Audits are also planned and executed in all company's systems and business processes are controlled and protected.
- ✚ **ICT-** Establishment of WAN – for rural offices connectivity; Automatic M-PESA integration for rural Cost Centre; Acquisition of new server from GIZ; Upgrade of Accounting Software; Enhanced utilization of GIS and job cards in areas of operations like water distribution and maintenance; Establishment of mobile meter reading to enhance meter reading accuracy; Establishment of GIS WASPA Training Centre in KEWASCO.

**4. DEVELOPMENT PROJECTS**

The table below shows the highlights of the ongoing and recently completed development projects.

| <b>Projects</b>   | <b>Major Scope</b>  | <b>Progress</b>   |
|---|---|---|
| <p><b>Name:</b> Water Sector Development Program (WSDP-LVS) (Kericho, Kisii, Nyamira, Litein); Long term expansion works: New Kimugu Treatment Works</p> <p><b>Objective:</b> Ensure sufficient, hygienic, economically viable and affordable water and sanitation services to the residents of Kericho</p> <p><b>Name of the Financier:</b> German Development Bank (Kfw)</p> <p><b>Implementing Agency:</b> LVSWWDA</p> <p><b>Commencement Date:</b> March 2014</p> <p><b>Expected date of completion:</b> April 2021</p> <p><b>Consultant:</b> CES and Mangat I.B Patel</p> <p><b>Contractor:</b> Nanchang Foreign Engineering Company &amp; Jiangxi Jingtai Water Conservancy and Electrical Power Consumption.</p> | <p>Construction of: -</p> <p>Intake Works on Kimugu River.</p> <p>7.7Km Raw water Gravity Main.</p> <p>New Water Treatment Works (13,000M<sup>3</sup>).</p> <p>2.8Km Treated Water Gravity Main.</p> <p>3.7Km pumping water main.</p> <p>Kipsirgong Tank (1,000M<sup>3</sup>).</p> <p>50Km Distribution main.</p> | <p>Overall Progress of 60% as of end of June 2021. The project is expected to be completed Mid December 2021.</p> |
| <p><b>Name:</b> Up-scaling of Basic Sanitation for the Urban Poor (UBSUP)</p> <p><b>Financier:</b> Water Sector Trust Fund (WSTF)</p>   | <p>Construction of Decentralized Waste water Treatment Facility at Kapsoit</p>  | <p>Complete</p>   |

**Table 1: Development Projects**

**5. STRATEGIES, PLANS AND FUTURE OUTLOOK**

The mid-term and long term strategies required to improve the performance of the Company include:

- a) **Financial Recovery Plan (FRP):** The Company having been selected by WASREB to submit FRP for Post-COVID-19 recovery for funding, proposed the following four FRP interventions to realized O & M cost coverage and achieve financial turn-around:

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- Procure and replace 9,880 consumer meters (0.5", 0.75" 1" & 2") for replacement from Class B to Class C & D smart metering enabled; as well as 90 Nos. bulk meters (3" to 9") and fittings and install for complete isolation of DMAs into Sub-DMAs. Complete Isolation will facilitate computation of NRW for all Sub-DMAs. The total cost of this intervention is Kshs. 176,324,363.
  - Procure and install for replacement a total of 170KM assorted UPVC Pipe network with HDPE PN 16 of sizes ranging from 15mm to 225mm Dia. The 170KM pipelines are found in areas mapped in GIS has having highest number of bursts and leakages. The total cost of this intervention is Kshs. 127,112,233.
  - Pay the outstanding debt as well Current bill for 3 months dues for bulk water supply from Bomet County. The total cost of this intervention is Kshs. 51,926,231.
  - Construction of sewer laterals to potential 200 no new sewer connections and Repair 3 No. Exhausters. The total cost of this intervention is Kshs. 16,427,400.
- b) Last Mile Connectivity: After the Completion of the Long term Expansion project in Duka Moja (C/LOT3) the Company expects additional customers from the project through the last mile connectivity strategy. Already proposals have been submitted for funding to help in connecting more customers (up to about 7,000 connections) from the new project. This shall increase billing and thus financial sustainability of the Company. Additionally, the new project shall help in reducing the Personnel Expenditure as a percentage of O & M. This is because as the O & M costs will increase the Personnel Expenditure will remain constant because the Company is not intending to recruit more staff but rather use the available ones to operate the new water system.
- c) New Tariff: The Company is in the last stages of getting a new tariff. The Company is optimistic that the new tariff will improve its commercially viable and thus improve in service delivery in terms of quality and reliability.

## **6. CHALLENGES FACING THE COMPANY**

To continuously improve and to fully and adequately deliver on its mandate, the following indicators and challenges need to be addressed:

- a) High Non-Revenue Water Non-Revenue leading to huge water losses. A Performance Improvement Plan (PIP) has been developed between the Accompanying Measures Consultant and the Company. The areas proposed shall focus on both commercial and physical losses. The taskforce created shall jointly look into the NRW Reduction Plan over the next five years as per the Company's Strategic Plan and what needs to be done.
- b) Bulk water disconnections from Bomet. The main schemes for Rural Cost Centre are Litein and Kapkatet and when the water is disconnected there is huge revenue losses (About Kshs. 3 million monthly). The County Government has managed to budget Kshs 30 million for Bulk water payments in the current financial year. This however is not sufficient even to pay the outstanding debts.

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- c) Low Water Coverage. The average water coverage for the entire company is 40%. There is huge customer base that is yet to be served. Infrastructural development is needed to be able to increase the water coverage.
- d) High Personnel Expenditure as compared to O & M costs. This fixed cost is very difficult to reduce, however the Company expects costs of O & M to increase with the new project and will keep the Personnel Expenditure constant.
- e) Outstanding Debts owed to the Company. The main customer being the County Government of Kericho has not been able to clear its bills and this has let the Company not being able to meet its financial obligations.
- f) Outstanding Creditors. The main creditor being staff pension dues which still remains a big challenge.

**7. CONCLUSION**

In the short-term and mid-term basis, the Company is struggling financially mainly as a result of COVID-19 Pandemic as well as inconsistency in operation of the rural schemes. The Company has benefited from the Conditional Liquidity Support Grant which has cushioned it against these effects. More resources are expected through the Grant. Moreover, with the expectation of the New Tariff and the completion of the Long term expansion project in Kericho, the Company shall recover in the long term.



Eng. Kibii Chepkwony Siele  
**Managing Director**

## **VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

Water Services Regulatory Board (WASREB) Highlights performance of WSPs through ranking. The performance and ranking of utilities is key in ensuring that water services are provided in an efficient and sustainable manner. WSPs are assessed and ranked based on nine Key Performance Indicators (KPIs). These KPIs are grouped into three categories:

- A. Quality of Service: Water Coverage, Drinking Water Quality, Hours of Supply
- B. Economic Efficiency: Personnel Expenditure as percentage of Operation and Maintenance (O&M) costs, O & M Cost Coverage as well as Collection Efficiency.
- C. Operational Sustainability: NRW, Metering Ratio and Staff Productivity.

The latest WASREB impact report (Impact 13) ranked the Company as shown in Table 2. There was improvement in Hours of Supply and Metering Ratio.

| Key Performance Indicators and Indicator Elements |  | Sector Benchmarks |            |                | Performance 2018/2019 | Performance 2019/2020 |
|---|--|-------------------|------------|----------------|-----------------------|-----------------------|
|   |  | Good              | Acceptable | Not Acceptable |                       |                       |
| 1   | Water Coverage (%)                                   | ≥91%              | 80-90%     | ≤79%           | 40%                   | 36%                   |
| 2   | Non-Revenue Water (%)                                | ≤19               | 20-25%     | ≥26%           | 49%                   | 54%                   |
| 3   | Personnel Expenditure as percentage of O&M Costs (%) | <20%              | 20-30%     | >30%           | 41%                   | 46%                   |
| 4   | Drinking Water Quality                               | ≥96%              | 90-95%     | ≤89%           | 92%                   | 93%                   |
| 5   | O + M Cost Coverage (%)                              | ≥150 %            | 100-149*%  | ≤99%           | 100%                  | 81%                   |
| 6   | Staff Productivity - staff per 1000 connections (Nr) | ≤6                | 7-11       | ≥12            | 8                     | 9                     |
| 7   | Collection Efficiency (%)                            | ≥91%              | 85-90%     | ≤84%           | 93%                   | 93%                   |
| 8   | Hours of Supply (Hrs/Day)                            | 21-24             | 16-20      | ≤15            | 17                    | 21                    |
| 9   | Metering Ratio (%)                                   | 100%              | 95-99%     | ≤94%           | 99%                   | 100%                  |
| <b>OVERALL RANKING</b>                            |  |                   |            |                | <b>37 out of 92</b>   | <b>40 out of 92</b>   |

**Table 2:** The overall Ranking of KEWASCO using the 9 WASREB KPIs.

KEWASCO, has 6 strategic pillars within its Strategic Plan for the FY 2018/2019- 2022/2023 with objectives, activities, implementing actors expected outputs, budget and timeframes. These strategic pillars are as follows:

1. Non-Revenue Water (NRW) Management
2. Water and Sanitation infrastructure
3. Operational efficiency
4. Financial Sustainability

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- 5. Customer Focus
- 6. Institutional Restructuring

The company develops annual work plans and budget based on the 6 pillars in its Strategic Plan. An assessment of the management’s performance against the annual work plan is done on a quarterly basis. The Company achieved its performance targets set for its 6 strategic pillars, as indicated in Table 3.

| <b>Strategic Pillar</b>            | <b>Objective</b>  | <b>Key Performance Indicators</b>                             | <b>Activities</b>  | <b>Achievements</b>  |
|------------------------------------|---|---|--|--|
| Non-Revenue Water (NRW) Management | To reduce the non-revenue water.<br>To increase metering Ration | i. Metering Ratio from 70% to 100%<br>ii. NRW from 52% to 30% | i. Staff Training on NRW.<br>ii. Creation of Sub-DMAs for water balance and easy management.<br>iii. Addressing metering issues.<br>iv. Minimizing illegal use of water.<br>v. Replacement of uPVC with HDPE pipes | i. So far 270 number of illegal connections napped, penalized and terminated.<br>ii. Reduction of No water Cases from 1500 to 1100 due to restoration of supply lines and implementation of rationing program.<br>iii. Metering Ratio Increased from 89% to 91%.<br>NRW reduced from 50% to 45% Overallly. |

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| <b>Strategic Pillar</b>                            | <b>Objective</b>  | <b>Key Performance Indicators</b>   | <b>Activities</b>  | <b>Achievements</b>   |
|--|---|---|--|---|
| Water and Sanitation Infrastructure                | <p>To increase water production from 16,000 m<sup>3</sup> per day to 32,000 m<sup>3</sup> per day by 2022.</p> <p>To expand sanitation coverage from 40% to 55% by 2022</p> <p>To increase water and Sanitation coverage in Low Income Areas (LIAs) annually by 10%</p> | <p>i. Water coverage</p> <p>ii. Sewerage Coverage</p> <p>iii. Sanitation Coverage</p> <p>iv. Drinking Water Quality (DWQ)</p> | <p>I. Construction of sewerage treatment plant in Londiani.</p> <p>ii. Construction of 13,000m<sup>3</sup> water treatment plant.</p> <p>iii. Extension of sewer network in Kericho town.</p> <p>iv. Construction of Decentralized Treatment Facilities (DTF) in satellite towns.</p> <p>v. Upgrade raw water to treated water schemes</p>   | <p>i. Final design done for Londiani Sewerage, funds allocated awaiting tendering.</p> <p>ii. Ongoing construction of new water treatment plant (60% progress)</p> <p>iii. Completion of DTF at Kapsoit town.</p> <p>iv. Completion of 3km trunk main sewer line at CBD South in Kericho town.</p> <p>iv. Improved DWQ to 93%.</p> <p>vi. Increase of new connections by 409</p>  |
| Operational Efficiency<br>Financial Sustainability | <p>To ensure that there is continuous provision of water and sanitation services with minimal interruptions</p>   | <p>Hours of Supply (Hours/Day)</p> <p>Staff productivity (number of staff per 1000 connections)</p>                           | <p>i. Timely response to bursts and leaks.</p> <p>ii. Implementation of job cards</p> <p>ii. Implementation of partial rationing programs.</p> <p>iv. Having stand-by pumpsets.</p> <p>v. Adherence to preventative maintenance schedule.</p> <p>vi. Embracing and using ICT in core processes.</p> <p>vii. Reduction in Lateness and idleness.</p> <p>viii. Timely payment of electricity bills and bulkwater bills</p> | <p>i. Proper job descriptions for all staff have been prepared.</p> <p>ii. Performance appraisals have been conducted for all staff.</p> <p>iii. 2 new Pumpsets have been purchased for Kimugu T/Works.</p> <p>iv. Mapping of job cards in GIS is being implemented.</p> <p>v. There is timely settling of bills/honouring agreements with KPLC.</p> <p>vii. Staff productivity at 8 staff per 100 connections (acceptable level)</p> |

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| <b>Strategic Pillar</b>  | <b>Objective</b>  | <b>Key Performance Indicators</b>   | <b>Activities</b>   | <b>Achievements</b>   |
|--------------------------|---|---|---|---|
| Financial Sustainability | To increase revenue from Kshs 204 million in 2018 to Kshs 400 million by 2023 | Revenue Collection<br><br>Metering Ratio<br><br>Operation and Maintenance Cost Coverage | i.Enhance meter reading efficiency to manage commercial losses<br>ii.Optimize billing efficiency<br>iii.Timely review of tariff.<br>iv.Continuous supply of water<br>v.Metering all customers.<br>vi.Timely addressing of meter reading anomalies   | i. Mobile meter reading implemented to reduce meter reading anomalies.<br><br>iv.New Tariff application process complete awaiting public consultation.  |
|                          | To improve collection efficiency from 92 % in 2018 to 98% by 2023             | Collection Efficiency(CE)   | i.Appoint debt recovery teams.<br>ii.Entering part payment agreement with customers with huge debts.<br>iii.Mass disconnection after SMS alerts.<br>iv.Strict adherence to 7 day payment grace period.<br>v.Enhance intergrity in revenue collection section.<br>vi.Enlist defaulters with Credit Reference Bureau(CRB) | i. Overall CE was 92% mostly affected by COVID-19 pandemic<br>ii. Integrity been enhanced, those found culpable have been subjected to disciplinary process.<br>iii.Debt recovery team has been established.<br>iv.Part payments for some have been encouraged.<br>v.Demand letters have been issued for defaulters<br>vi.Disconnection notices and SMS have continually been sent to customers |

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| <b>Strategic Pillar</b>     | <b>Objective</b>                                      | <b>Key Performance Indicators</b>                  | <b>Activities</b>  | <b>Achievements</b>   |
|-----------------------------|---|--|--|---|
|                             | To implement Cost reduction measures                  | Personnel expenditure as percentage of O & M costs | i.Reduction of non-core expenditures<br>ii.Ensure 100% adherence to budget.<br>iii.Reduction in personnel and operation and maintenance costs  | i.There is strict adherence of budget, No expenditure outside budget.   |
| Customer Focus              | To increase customer satisfaction by 10% annually     | Hours of Supply Drinking water quality             | i. Revise and implement customer service charter<br>ii.Conduct customer sensitization forums<br>iii.Hold stakeholder forums, open days to address customer issues<br>iv.Timely response to customer complaints<br>v.Carry out customer satisfaction survey | i.open days are being conduct quarterly as per calendar.<br>ii.Customer satisfaction survey has been conducted.<br>iii. 485 serious customer complaints were resolved in the FY.<br>iv.a stakeholder forum was conducted to address customer issues |
| Institutional Restructuring | To have a qualified, experienced, motivated workforce | Staff productivity                                 | i.Develop and administer questionnaires.<br>ii.Prioritize training needs areas and prepare a budget<br>iii.Source for trainers/institutions  | i.Training Needs Assessment Report ready for implementation from the Accompanying measures.   |

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| Strategic Pillar | Objective                                | Key Performance Indicators  | Activities   | Achievements  |
|------------------|--|---|--|---|
|                  | Operationalization of the merged KEWASCO | Overall Ranking of the KEWASCO as one utility based on: Water Coverage, NRW, Staff productivity, personnel expenditure, O&M cost coverage, Hours of Supply, Metering ratio, Collection Efficiency, Drinking water Quality | i. Amending of MoU and Articles of Association(AA)<br>ii. Preparation of subsidy proposal<br>iii. Stakeholder engagement<br>iv. Preparation of harmonized tariff<br>v. Application of Joint Licence.<br>vi. Disolution of TILWASCO<br>vii. Operationalize recommended organizational structure | i. Dissolution of TILWASCO in progress.<br>ii. Tariff and Licence has been applied.<br>iii. MoU and AA have been amended.<br>iv. The Company was been ranked as one Company in Impact 13 report by WASREB. The overall ranking was 40 out of 92 |

**Table 3:** KEWASCO's Strategic Pillars, the objectives under each pillar, the KPIs being targeted, the Activities to achieve the Objectives and some of the Achievements so far.

Each strategic pillar has expected outcome and output indicator. Furthermore, they are tied into implementing actors as shown in Table 4. Most of the implementing actors are the management team. The performance targets for each member of the management are drawn from the strategic pillars as per the implementing actors. Performance contracts are practised at all level of the Company. The Managing Director signs performance contract with the Board of Directors and then all Heads of Department sign with the Managing Director. This is then cascaded to the second line managers and the lower cadre of employees. The objectives of the performance contracts are in line with the Company's strategic Plan.

| Strategic pillar                          | Expected Outcome (s)            | Output Indicator (s)  | Implementing Actors   |
|---|---------------------------------|---|---|
| <b>Non-Revenue Water (NRW) Management</b> | Reduction of NRW to 30% by 2022 | Approved and implemented NRW Policy   | Board of Directors & Managing Director                                |
|   |                                 | <ul style="list-style-type: none"> <li>• 80% metering in 2yrs</li> <li>• 90% in 3 yrs</li> <li>• 100% in 5 years</li> </ul> | Commercial and Finance Manager & Technical Services Manager           |
|   |                                 | 10% replacement of assorted HDPE and PRP pipes annually   | Management Team, County Government of Kericho, and Strategic Partners |
|   |                                 | Reduced response time from 12 hrs to 8 hrs  | Technical Services Manager  |

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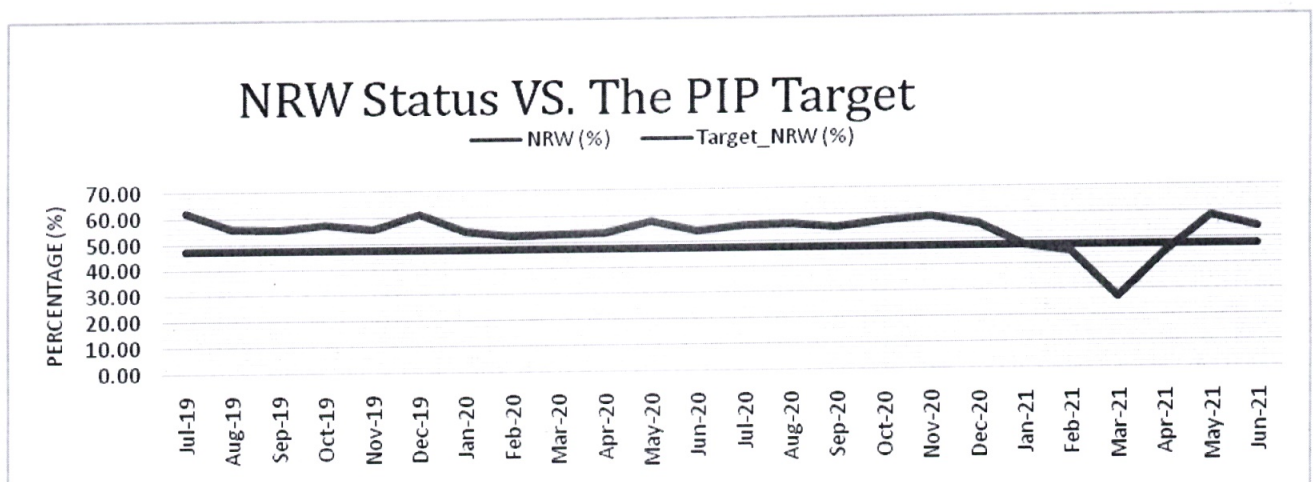
|  |  |  |   |
|--|--|--|---|
|  |  | <ul style="list-style-type: none"> <li>• Isolation of sub DMAs in areas A, B, D and E of Kericho Water within 2years</li> <li>• Litein and Kapkatet towns within 2 years</li> <li>• The others within 5 years plan period</li> </ul> | Technical Manager & GIS Officer<br>Services Officer |
|--|--|--|---|

**Table 4:** Extract from Strategic Plan showing how strategic pillars are tied to implementing actors' performance.

To continuously improve and to fully and adequately deliver on its mandate, the following three worst performing as per the Impact reports parameters have been selected as a priority for Performance Improvement focussing on the Urban Cost Centre:

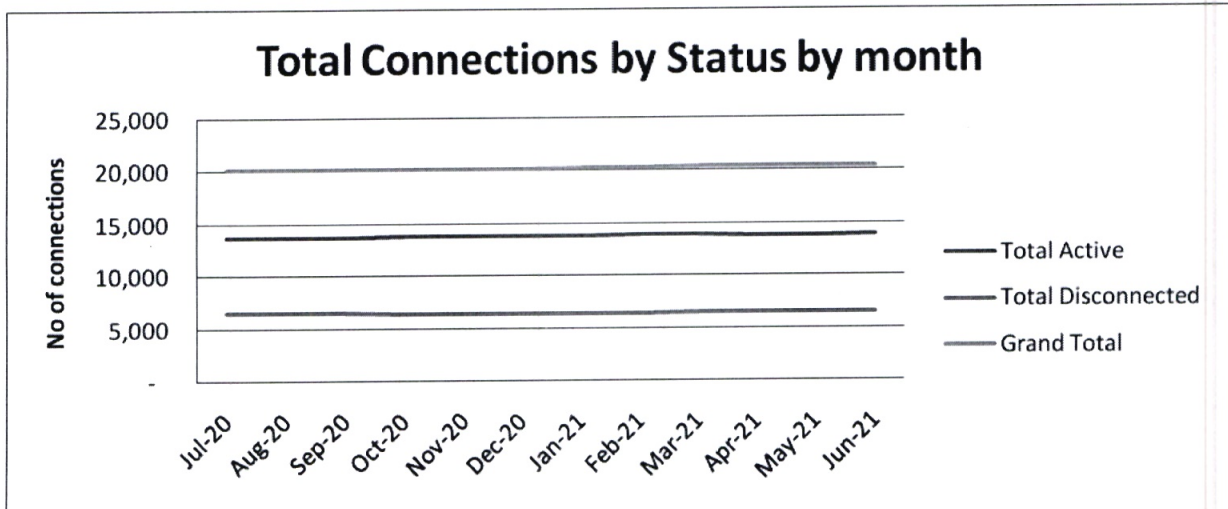
- Non-Revenue Water.
- Water Coverage.
- Personnel expenditure as a percentage of Operation and Maintenance Cost.

There has been some significant achievements in this areas due to implementation of some of the proposed activities in the Performance Improvement Plan. However a number of activities require financial muscle that the Company is unable to flex at the moment. The progress of the PIP activities is tracked on monthly basis through Project Implementation Unit (PIU) meetings done jointly between KEWASCO Team as well as the Accompanying Measures Consultant. Figure 1 and Figure 2 show the performance in terms of NRW and water coverage (number of connections) for the urban cost centre only.



**Figure 1:** Non-Revenue Water Trend against the target as per the PIP.

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**Figure 2: The Number of Connections of the Urban Cost Centre.** Water Coverage is based on active connections, therefore a decrease in total disconnected accounts through reviving of dry lines, encouraging part payments etc., would result in overall increase in water coverage.

## **VII. CORPORATE GOVERNANCE STATEMENT**

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

### **No of Board Meetings and Attendance**

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

### **Succession plan**

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

### **Board Charter**

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

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

### **Process of Appointment and Removal of Directors**

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

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**Roles and functions of Board**

The roles and functions of the Board of Directors are stipulated in the Code of Ethics signed by each Board Member. The Board of Directors exercises all the powers of the company subject only to the limitations contained in the law and the Memorandum and Articles of Association. Some of the functions that the Board of Directors fulfils include:

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

**Induction and Training**

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

**Board Member performance**

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

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

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

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

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**Conflict of Interest**

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

**Board Remuneration**

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

**Ethics and Conduct**

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

**Governance audit**

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

## **VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A:**

#### **The company's operational and financial performance.**

The volume of water produced for the financial year 2020/2021 dropped to 4.08 million cubic metres from 4.98 million cubic metres in the previous year. The overall drop was 0.92 million cubic metres. This drop was attributed to long disconnection periods of bulk water supply from Bomet County. This resulted in the Company unable to achieve the target of the year (5.2 million cubic metres).

Non Revenue Water (NRW) increased to 52% from 50% in the previous financial year. The efforts put forth for NRW management are expected to continue bringing significant results in the coming years.

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

In terms of Revenues, the Company had projected a billing of Kshs. 234.5 million for the year. However due to the effects of COVID 19 Pandemic the actual billing was Kshs. 199.8 million.

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

### **SECTION B:**

#### **Company's compliance with statutory requirements**

The company strives to ensure that it has fully complied with all the statutory requirements. The Company during the Financial Year submitted a joint application for both Licence and Tariff to Water Services Regulatory Board. The Company is expecting to get a new licence and a new tariff during the year 2021/2022 financial

### **SECTION C:**

#### **Key projects and investment decisions the entity is planning/implementing**

The continuing projects are :

- Water Sector Development Program (WSDP-LVS) Long term expansion works in Kericho funded by KFW from Germany and Government of Kenya. This water project upon completion is expected to serve additional 200,000 people in Kericho County.
- Accompanying Measures Initiative to strengthen managerial performance of KEWASCO. This project is being undertaken in line with KFW Long term expansion works for Kericho Town.

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

- UBSUP 8<sup>th</sup> Call- Which will be funded by Water Sector Trust Fund (WSTF). This shall

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include construction of a Public Sanitation Facility in Kapkatet and a Pipeline Extension from Kapsoit to Sosiot Centre.

- Proposed restoration of water supply infrastructure along Tegat to Kipsolu road.

**SECTION D:**

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

**Operational Risk**

This is the risk faced in the normal operations when carrying out business. The major risk is the power cut/outage risk and reduced production during the month of January to March which majorly affects the operations of the company. Other risks in this category are workplace and personnel safety risk, machine safety risks.

**Financial Risk**

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

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

**SECTION E**

**Material Arrears in Statutory/Financial obligations**

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

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

**SECTION F**

**The company's financial probity and serious governance issues**

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

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

### **1. Sustainability strategy and profile -**

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

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

### **2. Environmental performance**

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

### **3. Employee welfare**

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

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

In an effort to improve skills of its employees, the Company has developed a training calendar of its staff to attend trainings, workshops and benchmarking exercises both locally and internationally. Training Needs Assessment (TNA) is conducted annually to establish gaps in skills and knowledge among employees. For instance in 2019/2020 financial year, TNA report established 8 thematic fields which the Company needs to focus on and train its employees on. The Company also has Safety Committee that ensures compliance on safety as per Occupational Safety and Health Act of 2007, (OSHA).

**4. Market place practices-**

The Company practices best market practices through the following efforts:

*a) Responsible competition practice.*

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

*b) Responsible Supply chain and supplier relations-*

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

*c) Responsible marketing and advertisement-*

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

*d) Product stewardship-*

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

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**5. Community Engagements-**

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

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

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**X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the company's affairs.

**i) Principal activities**

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

**ii) Results**

The results of the entity for the year ended June 30, 2021 are set out on page 1-9 MBelow is summary of the profit or loss made during the year.

**iii) Dividends**

The Directors do not recommend the payment of dividend for the year.

**iv) Directors**

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Regulation of the company's Articles of Association, a third of the board members other than those from the County Governments shall retire from office by rotation after every three years. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same time, then the retirement will be determined by lot.

**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

By Order of the Board

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

## **XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Kenyan Companies Act 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's 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, 2021. 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's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act . 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, 2021, 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's financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

Kewasco's financial statements were approved by the Board on 28<sup>th</sup> September 2021 and signed on its behalf by:

For Co.

Eng Kibii Chepkwony Siele

**Roselyn C. L. Ngeny, Director**

**Eng Kibii Chepkwony Siele , Managing Director**

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kericho Water and Sanitation Company Limited set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kericho Water and Sanitation Company Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

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

The statement of financial position reflects trade and other receivables balance of Kshs.204,010,769 which as disclosed in Note 18 to the financial statements includes other receivables of Kshs.8,100,000 being receivables from shareholders relating to ordinary share capital. However, the register of shareholders was not provided for audit. Further, the Note also reflects an amount of Kshs.8,782,552 in respect of Value Added Tax (VAT) recoverable that had been outstanding for more than two (2) years and for which acknowledgement by the Kenya Revenue Authority was not provided for audit.

In the circumstances, the accuracy and validity of the reported trade and other receivables balance of Kshs.204,010,769 could not be confirmed.

#### **2. Undisclosed Material Uncertainty Relating to Going Concern**

The statement of profit or loss and other comprehensive income reflects an operating loss of Kshs.10,149,436. The loss resulted to an accumulated negative retained earnings balance of Kshs.117,228,674 as at 30 June, 2021. In addition, the total current liabilities balance of Kshs.346,794,073 exceeded the current assets balance of Kshs.224,475,275 resulting to a negative working capital of Kshs.122,318,798. The Company was therefore, unable to meet its financial obligations as and when they fall due. The state of affairs, is an indicator of an acute financial challenge facing the Company which raises significant doubt on its ability to continue to operate as a going concern without support from creditors and the County Government. However, the material uncertainty in relation to going concern and any mitigating measures put in place by the Company's Directors to reverse the undesirable trend have not been disclosed in the financial statements.

#### **3. Unremitted Statutory Deductions**

The statement of financial position reflects trade payables of Kshs.270,506,842 which as disclosed in Note 24(a) and (b) to the financial statements, includes employee payables of Kshs.55,964,592 comprising of Kshs.16,537,676, Kshs.5,635,799 and

Kshs.33,791,117 being unremitted Pay As You Earn tax, staff gratuity and unpaid salaries respectively.

Tax offences and non-remittance of statutory deductions may attract penalties and interest leading to increased liabilities.

#### **4. Deferred Liabilities Write-off**

The statement of changes in equity reflects an increase of Kshs.17,007,359 in retained earnings described as deferred liability write-off which, as disclosed at Note 22 to the financial statements, related to creditor balances written-off due to lack of supporting documents and in absence of claims by the creditors. The funds ought to have therefore, been presumed abandoned in accordance with Section 11(1) of the Unclaimed Financial Assets Act, 2011. However, the Company did not make a report to the Unclaimed Assets Authority as provided under Section 20(1) of the Unclaimed Financial Assets Act, 2011 which provides that a person holding assets presumed abandoned and subject to the custody of the Authority as unclaimed assets, shall make a report concerning the assets to the Authority.

In the circumstances, the regularity of the liabilities write-off could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

##### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual receipts on a comparable basis of Kshs.360,628,367 and Kshs.235,133,017 respectively, resulting to an under-funding of Kshs.125,495,350 or 35% of the budget. Similarly, the Company expended Kshs.246,522,860 against an approved budget of Kshs.350,634,598 resulting to an under-expenditure of Kshs.104,111,738 or 30% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

## **2. Unresolved Prior Year Audit Matters**

As disclosed under the progress on follow-up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided satisfactory reasons for the delay in resolving the issues.

### **Other Information**

The Board of Directors is responsible for the Other Information, which comprises Key Entity Information, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussions and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my auditor's report hereon.

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-compliance with Public Finance Management Fiscal Responsibility Principles**

The statement of profit or loss and other comprehensive income reflects expenditure of Kshs.137,020,652 on administration costs and as disclosed in Note 10 to the financial statements. The amount includes staff costs of Kshs.107,076,605 representing 63% of the total revenue of Kshs.169,178,010. This is contrary to Regulation 25(1)(b) of the

Public Finance Management (County Governments) Regulations, 2015, which requires the County Governments expenditure on wages and benefits for its public officers to be limited to 35% of the total revenue.

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

## **2. Non-Compliance with the One-Third of Basic Salary Rule**

During the year ended 30 June, 2021, six (6) employees earned a net salary of less than a third (1/3) of their respective basic salaries. This is contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies and Procedures Manual for the Public Service, 2016.

In the circumstances, the Management was in breach of Regulations and may have exposed the staff to pecuniary embarrassment.

## **3. Failure to Observe Ethnicity Diversity in Staff Composition**

A review of the staff establishment and documents provided for audit revealed that over ninety-six 96% of the one hundred and sixty-eight (168) staff employed by the Company were from the dominant community in the County. This is contrary to the provisions of Section 7(1) and (2) the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one-third of its staff from the same ethnic community.

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

## **4. Non-Revenue Water Management**

A review of water production records revealed that the Company produced 4,089,024 cubic metres (m<sup>3</sup>) of water equivalent to Kshs.265,786,560 at Kshs.65 per cubic metre of water out of which 1,969,099 m<sup>3</sup> equivalent to Kshs.127,991,435 was billed to customers. The balance of 2,116,875m<sup>3</sup> or approximately 52% represented non-revenue (unaccounted for) water equivalent to lost sales of Kshs.137,795,125. The non-revenue water was also 27% over and above the 25% allowable loss prescribed by Water Services Regulatory Board (WASREB) Guidelines.

In the circumstances, Management was in breach of the WASREB Guidelines and may not have efficiently utilized the resources at the Company's disposal.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### **Responsibilities of Management and the Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

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

**Nairobi**

**06 October, 2022**

**XIII. STATEMENT OF PROFIT AND LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30<sup>TH</sup>  
JUNE 2021**

|   | Note | 2021                | 2020                |
|---|------|---------------------|---------------------|
|   |      | Kshs                | Kshs                |
| <b>REVENUES</b>                               |      |                     |                     |
| Sales   | 6    | 180,909,121         | 204,745,793         |
| Cost of Sales                                 | 7    | ( 65,955,008)       | (90,783,962)        |
| Gross Profit                                  |      | <b>114,954,113</b>  | <b>113,961,831</b>  |
| Grants  | 8    | 37,307,372          | 53,159,674          |
| Other Income                                  | 9    | 16,916,524          | 14,720,066          |
| <b>TOTAL REVENUES</b>                         |      | <b>169,178,010</b>  | <b>181,841,570</b>  |
| <b>OPERATING EXPENSES</b>                     |      |                     |                     |
| Administration Costs                          | 10   | 137,020,652         | 151,732,280         |
| Operation and Maintenance Costs               | 11   | 35,058,843          | 36,332,293          |
| Depreciation of property, plant and equipment | 13   | 5,734,597           | 7,287,956           |
| Amortisation of Intangible Assets             | 15   | 356,928             | 446,160             |
| <b>TOTAL OPERATING EXPENSES</b>               |      | <b>178,171,020</b>  | <b>195,798,689</b>  |
| <b>OPERATING PROFIT/(LOSS)</b>                |      | <b>( 8,993,010)</b> | <b>(13,957,119)</b> |
| Finance Income                                |      |                     |                     |
| Finance Costs                                 | 16   | 1,156,425           | 1,238,669           |
| <b>PROFIT/(LOSS) BEFORE TAXATION</b>          |      | <b>(10,149,436)</b> | <b>(15,195,788)</b> |
| <b>INCOME TAX EXPENSE/(CREDIT)</b>            |      |                     |                     |
| <b>PROFIT/(LOSS) AFTER TAXATION</b>           | -    | <b>(10,149,436)</b> | <b>(15,195,788)</b> |

Kericho Water and Sanitation Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30, 2021

**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE  
2021**

|                                      | Note | 2021                | 2020                |
|--------------------------------------|------|---------------------|---------------------|
|                                      |      | Kshs                | Kshs                |
| <b>ASSETS</b>                        |      |                     |                     |
| <b>Non-Current Assets</b>            |      |                     |                     |
| Property, plant and equipment        | 13   | 52,294,134          | 52,418,831          |
| Intangible assets                    | 15   | 1,427,713           | 1,784,641           |
| <b>Total Non-Current Assets</b>      |      | <b>53,721,848</b>   | <b>54,203,472</b>   |
| <b>Current Assets</b>                |      |                     |                     |
| Inventories                          | 17   | 2,817,301           | 2,660,297           |
| Trade and other receivables          | 18   | 204,010,769         | 193,206,427         |
| Prepaid Payables                     |      |                     | 207,386             |
| Bank and cash balances               | 19   | 17,647,205          | 19,952,692          |
| <b>Total Current Assets</b>          |      | <b>224,475,275</b>  | <b>216,026,802</b>  |
| <b>TOTAL ASSETS</b>                  |      | <b>278,197,122</b>  | <b>270,230,274</b>  |
| <b>EQUITY AND LIABILITIES</b>        |      |                     |                     |
| <b>Capital and Reserves</b>          |      |                     |                     |
| Ordinary share capital               | 20   | 8,100,000           | 8,100,000           |
| Capital Reserve                      |      | 39,692,614          | 39,692,614          |
| Retained earnings                    | 21   | (117,242,257)       | (124,100,181)       |
| <b>Total Capital and Reserves</b>    |      | <b>(69,449,643)</b> | <b>(76,307,567)</b> |
| <b>Non-Current Liabilities</b>       |      |                     |                     |
| Deferred Liability                   | 23   | -                   | 17,007,359          |
| Borrowings( asset Finance)           |      | 852,693             | 1,563,191           |
| Deferred Income                      |      | -                   | 2,517,495           |
| <b>Total Non-Current Liabilities</b> |      | <b>852,693</b>      | <b>21,088,045</b>   |
| <b>Current Liabilities</b>           |      |                     |                     |
| Trade payables                       | 24   | 270,506,842         | 259,648,654         |
| Prepaid Receivables                  | 18   | 5,043,072           | 5,023,183           |
| Retirement benefit obligations       | 25   | 71,244,160          | 60,777,958          |
| <b>Total Current Liabilities</b>     |      | <b>346,794,073</b>  | <b>325,449,795</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>278,197,122</b>  | <b>270,230,274</b>  |

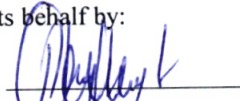
The financial statements were approved by the Board on 28<sup>th</sup> September 2021 and signed on its behalf by:

  
\_\_\_\_\_

Roselyn Langat Ngeny,  
Director

  
\_\_\_\_\_

Eng Kibii Chepkwony Siele  
Managing Director

  
\_\_\_\_\_

Philis Chelangat  
ICPAK M/No 11585  
Commercial & Finance Manager

**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR**  
**ENDED 30<sup>TH</sup> JUNE 2021**

|                                    | Ordinary share capital | Capital Reserves  | Retained earnings     | Total               |
|------------------------------------|------------------------|-------------------|-----------------------|---------------------|
| <b>At July 1<sup>st</sup> 2019</b> | <b>8,100,000</b>       | <b>39,692,614</b> | <b>(108,904,393)</b>  | <b>(61,111,779)</b> |
| Total comprehensive income         |                        |                   | (15,195,788)          | ( 15,195,788)       |
| <b>At June 30, 2020</b>            | <b>8,100,000</b>       | <b>39,692,614</b> | <b>( 124,100,180)</b> | <b>(76,307,566)</b> |
| Deferred Liability Write off       |                        |                   | 17,007,359            | 17,007,359          |
| Total comprehensive income         |                        |                   | (10,149,436)          | (10,149,436)        |
| <b>At June 30, 2021</b>            | <b>8,100,000</b>       | <b>39,692,614</b> | <b>(117,242,257)</b>  | <b>(86,457,002)</b> |

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021.**

|   | Note | 2021                | 2020                |
|---|------|---------------------|---------------------|
|   |      | Kshs                | Kshs                |
| <b>OPERATING ACTIVITIES</b>                                   |      |                     |                     |
| Cash generated from/(used in) operations                      | 26   | 4,014,912           | 23,311,386          |
| <b>Net cash generated from/(used in) operating activities</b> |      | <b>4,014,912</b>    | <b>23,311,386</b>   |
| <b>INVESTING ACTIVITIES</b>                                   |      |                     |                     |
| Purchase of property, plant and equipment                     | 13   | (5,609,900)         | (9,555,852)         |
| Purchase of Intangible Asset                                  | 15   | -                   | (120,782)           |
| WIP decentralised Treatment Facility                          |      | -                   | (9,100,514)         |
| <b>Net cash generated from/(used in) investing activities</b> |      | <b>(5,609,900 )</b> | <b>(18,777,238)</b> |
| <b>FINANCING ACTIVITIES</b>                                   |      |                     |                     |
| Proceeds from issues of new share capital                     |      |                     |                     |
| Proceeds from borrowings                                      |      |                     |                     |
| Repayment of borrowings                                       |      | (710,498)           | (1,620,070)         |
| <b>Net cash generated from/(used in) financing activities</b> |      | <b>(710,498)</b>    | <b>(1,620,070 )</b> |
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>       |      | <b>(2,305,487)</b>  | <b>2,914,079</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>         | 19   | 19,952,692          | 17,038,613          |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>           | 19   | <b>17,647,205</b>   | <b>19,952,692</b>   |

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
 THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

| Code |  | Actual 2019/2020   | Budgeted 2020/2021 | Actual 2020/2021   | Performance difference | % of Utilization |
|------|--|--------------------|--------------------|--------------------|------------------------|------------------|
|      | <b>INCOMES</b>                         |                    |                    |                    |                        |                  |
| 1    | Sales                                  | 204,745,793        | 219,113,946        | 180,909,121        | 38,204,826             | 83               |
| 2    | Grants                                 | 53,159,674         | 126,026,834        | 37,307,372         | 88,719,462             | 30               |
| 3    | Other Income                           | 14,720,066         | 15,487,587         | 16,916,524         | - 1,428,937            | 109              |
|      | <b>Total</b>                           | <b>272,625,532</b> | <b>360,628,367</b> | <b>235,133,017</b> | <b>125,495,350</b>     | <b>65</b>        |
|      | <b>Personnel Expenses</b>              |                    |                    |                    |                        |                  |
| 01   | Staff Expenses                         | 121,672,262        | 154,883,552        | 131,380,743        | 23,502,809             | 85               |
| 02   | Wages/ Casuals                         | 6,392,270          | 7,216,086          | 4,529,073          | 2,687,013              | 63               |
| 03   | Training expenses                      | 1,441,665          | 2,660,000          | 1,312,840          | 1,347,160              | 49               |
| 04   | Salary arrears                         | 12,833,352         | 8,600,000          | 6,839,867          | 1,760,133              | 80               |
| 05   | Staff Medical Insurance                | 6,314,120          | 7,000,000          | 6,590,230          | 409,770                | 94               |
|      | <b>Total Personnel Expenses</b>        | <b>148,653,668</b> | <b>180,359,638</b> | <b>150,652,753</b> | <b>29,706,885</b>      | <b>84</b>        |
|      |  |                    |                    |                    |                        |                  |
| Code | <b>Operation and Miantenance Costs</b> |                    |                    |                    |                        |                  |
| 01   | Travelling and Night-out allowances    | 6,093,861          | 4,770,000          | 4,090,080          | 679,920                | 86               |
| 02   | Staff Welfare                          | 8,129,666          | 8,887,340          | 4,825,584          | 4,061,756              | 54               |
| 03   | Office meals / Conferences             | 284,760            | 600,000            | 501,868            | 98,132                 | 84               |
| 04   | Board Expenses                         | 3,024,552          | 3,931,600          | 3,391,465          | 540,135                | 86               |
| 05   | Printing and Stationery                | 1,843,458          | 1,587,000          | 1,325,079          | 261,921                | 83               |
| 06   | Publicity and advertisement            | 450,405            | 900,000            | 781,956            | 118,044                | 87               |
| 07   | Telephones and Postages                | 1,894,509          | 2,453,500          | 2,043,459          | 410,041                | 83               |

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| Code |                                       | Actual 2019/2020 | Budgeted 2020/2021 | Actual 2020/2021 | Performance difference | % of Utilization |
|------|---------------------------------------|------------------|--------------------|------------------|------------------------|------------------|
| 08   | Ground Maintenance                    | 182,890          | 657,000            | 543,915          | 113,085                | 83               |
| 09   | Electrical Appliances                 | 157,946          | 1,275,000          | 814,499          | 460,501                | 64               |
| 10   | Water Chemicals                       | 3,500,076        | 3,822,000          | 2,223,590        | 1,598,410              | 58               |
| 11   | Testing reagents                      | 168,131          | 910,000            | 523,979          | 386,021                | 58               |
| 12   | Cleaning materials                    | 541,110          | 620,000            | 609,919          | 10,081                 | 98               |
| 13   | Repairs/Maintenance of buildings      | 423,433          | 1,350,000          | 732,942          | 617,058                | 54               |
| 14   | Electricity and water                 | 9,319,243        | 13,283,000         | 7,242,531        | 6,040,469              | 55               |
| 15   | Bulk Water Supply                     | 36,066,780       | 42,000,000         | 18,485,585       | 23,514,415             | 44               |
| 16   | Fuel, Oils and Lubricants             | 7,051,144        | 7,672,000          | 5,873,679        | 1,798,321              | 77               |
| 17   | Vehicle repair & maintenance          | 3,722,605        | 5,890,000          | 4,645,221        | 1,244,779              | 79               |
| 18   | Pipeline repair materials & servicing | 5,608,720        | 6,650,000          | 5,224,976        | 1,425,024              | 79               |
| 19   | Tools & Equipment repairs/Servicing   | 190,873          | 370,000            | 329,978          | 40,022                 | 89               |
| 20   | Repair of office equipment            | 30,000           | 50,000             | 7,800            | 42,200                 | 16               |
| 21   | NEMA                                  | 200,000          | 305,000            | 250,000          | 55,000                 | 82               |
| 22   | Software/licences                     | 1,330,293        | 1,912,000          | 1,739,118        | 172,882                | 91               |
| 23   | Subscription CSR & Donations          | 324,200          | 741,700            | 449,700          | 292,000                | 61               |
| 24   | Levies                                | 10,139,621       | 12,935,398         | 9,634,279        | 3,301,119              | 74               |
| 25   | Interest on Loan                      | 766,286          | 947,000            | 156,225          | 790,775                | 16               |
| 26   | Audit Fee                             | 757,704          | 600,000            | 600,000          | -                      | 100              |
| 27   | Professional fees                     | 600,000          | 1,260,000          | 194,500          | 1,065,500              | 15               |
| 28   | Insurance                             | 185,000          | 2,400,000          | 2,076,719        | 323,281                | 87               |
| 29   | Security                              | 2,258,659        | 8,200,000          | 7,795,469        | 404,531                | 95               |
| 30   | Bank Charges                          | 8,241,665        | 1,400,000          | 1,156,425        | 243,575                | 83               |
| 31   | Rent Expense                          | 1,238,669        | 144,000            | 144,000          | -                      | 100              |
| 32   | WSTF Toilet subsidies                 | 72,000           | 237,904            | 123,634          | 114,270                | 52               |

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| Code |  | Actual 2019/2020   | Budgeted 2020/2021 | Actual 2020/2021   | Performance difference | % of Utilization  |
|------|--|--------------------|--------------------|--------------------|------------------------|-------------------|
| 33   | Statutory Arrears                            | 4,487,181          | 31,513,518         |                    | 31,513,518             | 0                 |
| 34   | Depreciation and Amortization                |                    |                    | 6,091,525          | - 6,091,525            | 6,091,525         |
| 35   | Deferred Liability write off                 | 7,734,117          |                    | -                  | -                      | -                 |
| 36   | Provision for bad debts                      | 12,148,095         |                    |                    | -                      |                   |
|      | <b>Total O&amp;M</b>                         | <b>139,167,652</b> | <b>170,274,960</b> | <b>94,629,699</b>  | <b>75,645,261</b>      | <b>94,629,699</b> |
|      | <b>TOTAL RECURRENT EXPENDITURE</b>           | <b>287,821,320</b> | <b>350,634,598</b> | <b>246,522,860</b> | <b>104,111,738</b>     | <b>70</b>         |
| Code | <b>CAPITAL EXPENSES</b>                      |                    |                    |                    |                        |                   |
| 01   | Computer Hardware                            |                    | 1,720,000          | 669,460            | 1,050,540              | 39                |
| 02   | Computer Software                            | 157,500            | 2,150,000          |                    | 2,150,000              | 0                 |
| 03   | Meters                                       | 120,872            | 6,752,000          | 3,836,033          | 2,915,968              | 57                |
| 04   | Pipeline/ wate distribution equipment        | 4,535,500          | 2,100,000          |                    | 2,100,000              | 0                 |
| 05   | Mineral Water Packaging Plant                |                    | 2,000,000          |                    | 2,000,000              | 0                 |
| 06   | Furniture & Fittings                         |                    | 220,000            |                    | 220,000                | 0                 |
| 07   | Tools & Equipment                            |                    | 460,000            |                    | 460,000                | 0                 |
| 08   | Buildings                                    | 320,000            | 1,730,000          | 339,521            | 1,390,479              | 20                |
| 09   | Vehicle - Asset Finance                      | 199,000            | 1,700,000          |                    | 1,700,000              | 0                 |
| 10   | Decentralised Treatment Facility/Septic Tank | 4,343,852          | 1,800,000          | 764,887            | 1,035,113              | 42                |
|      | <b>TOTAL CAPITAL EXPENSES</b>                | <b>9,676,724</b>   | <b>20,632,000</b>  | <b>5,609,900</b>   | <b>15,022,100</b>      | <b>27</b>         |
|      | <b>GRAND TOTAL</b>                           | <b>297,498,044</b> | <b>371,266,598</b> | <b>250,892,353</b> | <b>120,374,245</b>     | <b>68</b>         |

## **XVIII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

### **1. GENERAL INFORMATION**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

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

### **3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING (IFRS) STANDARDS**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

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| Title   | Description  | Effective Date   |
|---|--|--|
| IAS 39-Financial Instruments: Recognition and Measurement | IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 4- Insurance Contracts (Superseded)                  | IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.  | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 7- Financial Instrument Disclosures                  | IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.   | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |

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| <b>Title</b>    | <b>Description</b>  | <b>Effective Date</b>  |
|-----------------|---|--|
| IFRS 16- Leases | IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.**

| <b>Title</b>  | <b>Description</b>   | <b>Effective Date</b>  |
|---|--|--|
| IAS 1 —<br>Presentation of<br>Financial<br>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. |

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| 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. | Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 16 — Property, Plant and Equipment                            | IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.   | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.  |
| IAS 37 — Provisions, Contingent Liabilities and Contingent Assets | IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).  | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.  |
| IAS 41 — Agriculture  | IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.   | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.  |

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| Title   | Description  | Effective Date   |
|---|--|--|
| IFRS 1 — First-time Adoption of International Financial Reporting Standards | IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.   | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.   |
| IFRS 3 — Business Combinations  | IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.  | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.   |
| IFRS 17 — Insurance Contracts   | IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. | The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] |

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.

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**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021

**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 recognised to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

i) **Revenue from water and sewerage services billed** is recognised in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from the County Government and other partners** are recognised in the year in which the company actually receives such grants.

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

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

**b) 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

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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.

**c) 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 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:

- Buildings 10%
- Water Supply infrastructure 2.5%
- Plant, machinery and equipment 20%
- Office Equipment 12.5%
- Computer Equipment 30%
- Motor vehicles 25%
- Furniture and fittings 12.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**d) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**e) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is 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.

**f) Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease

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liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

**g) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**h) Trade and other receivables**

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

**i) Taxation**

***Current income tax***

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

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

***Deferred tax***

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

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

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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 reassessed 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.

**j) Cash and cash equivalents**

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

**k) 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 on 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.

**l) 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.

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**m) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 1997. 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.200 per employee per month.

**n) Provision for staff leave pay**

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

**o) Budget information**

The original budget for FY 2020/2021 was approved by the board of directors on 25<sup>th</sup> June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget..

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**p) Service concession arrangements**

The Entity 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 Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together

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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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) Comparative figures**

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

**r) Subsequent event**

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, 2021.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IPSAS 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.

State all judgements, estimates and assumptions made: e.g

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

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

**6. SALES**

|               | <b>2021</b>        | <b>2020</b>        |
|---------------|--------------------|--------------------|
|               | <b>KSHS</b>        | <b>KSHS</b>        |
| Water Sales   | 174,129,506        | 195,998,478        |
| Exhaust Works | 6,779,615          | 8,747,315          |
|               | <b>180,909,121</b> | <b>204,745,793</b> |

Water sales are the main revenue sales for the company. This comprises billings from water, sewer and meter rent.

**7. COST OF SALES**

|                         | <b>2021</b>       | <b>2020</b>       |
|-------------------------|-------------------|-------------------|
|                         | <b>KSHS</b>       | <b>KSHS</b>       |
| Electricity –Production | 6,883,163         | 8,991,462         |
| Bulk Water Purchase     | 18,485,585        | 36,066,780        |
| Staff costs             | 37,838,691        | 42,057,513        |
| Water Analysis Expenses | 523,979           | 168,131           |
| Water Chemicals         | 2,223,590         | 3,500,076         |
|                         | <b>65,955,008</b> | <b>90,783,962</b> |

**8. GRANTS**

|  | <b>2021</b>       | <b>2020</b>       |
|--|-------------------|-------------------|
|  | <b>KSHS</b>       | <b>KSHS</b>       |
| Deferred Income-wstf                             | 1,656,792         | 13,341,998        |
| Other Income-Donations                           | 18,335,545        |                   |
| Other Income-Bulk Water-Kericho Rural)           | 15,000,000        | 25,000,000        |
| Other Income-Electricity-Kericho Rural)          | 1,500,000         | 4,912,743         |
| Other Income-Pipeline relocation and septic Tank | 815,035           | 9,904,933         |
|  | <b>37,307,372</b> | <b>53,159,674</b> |

- Deferred income from WSTF refers to the amounts actually used in the project ie payments for Decentralized Treatment Facility and other administration cost.
- The Bulk water and electricity subsidy are amounts paid by the County Government of Kericho to Kenya Power and Bomet Water Company.

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**9. OTHER INCOME**

|                                     | <b>2021</b>       | <b>2020</b>       |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>KSHS</b>       | <b>KSHS</b>       |
| Miscellaneous incomes               | 961,448           | 2,944,527         |
| Connection                          | 1,267,601         | 1,446,120         |
| Reconnection                        | 1,805,000         | 1,938,000         |
| Rent Income                         | 448,900           | 431,500           |
| Tanker Services                     | 5,628,557         | 3,679,394         |
| Dumping Services                    | 2,292,500         | 2,943,500         |
| Penalties                           | 943,000           | 1,337,025         |
| Decrease in provision for bad debts | 3,569,518         |                   |
|                                     | <b>16,916,524</b> | <b>14,720,066</b> |

**10. (a) ADMINISTRATION COSTS**

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Staff costs (note10b)                                    | 107,076,605 | 102,232,651 |
| Advertisement  | 457,656     | 173,540     |
| Audit and accountancy                                    | 600,000     | 600,000     |
| Cleaning   | 609,919     | 541,110     |
| General Insurance  | 2,076,719   | 2,258,659   |
| Legal, professional & Environment impact assessment fees | 194,500     | 185,000     |
| Newspapers and periodicals                               | 265,900     | 217,140     |
| Subscription & donations                                 | 449,700     | 324,200     |
| Postage and telephone                                    | 1,576,007   | 1,546,399   |
| Computer expense   | 847,545     | 1,266,855   |
| Printing and stationery                                  | 477,534     | 576,603     |
| Functions and celebrations                               | 501,868     | 284,760     |
| Travel and nightout allowances                           | 4,090,080   | 6,093,861   |
| Board meetings & Allowances                              | 3,391,465   | 3,024,552   |
| Licences Renewal   | 250,000     | 200,000     |
| Interest & penalties                                     | 156,225     | 757,704     |
| Rent expense   | 144,000     | 72,000      |
| Software Licenses renewal                                | 1,739,118   | 1,330,293   |
| Ground maintenance                                       | 543,915     | 182,890     |
| Staff Medical cover                                      | 6,590,230   | 6,314,120   |
| Staff training   | 1,312,840   | 1,441,665   |
| Protective clothing                                      | 750,162     | 800,970     |
| Training levy  | 115,750     | 103,950     |
| Christmas awards   | 1,741,669   | 1,806,000   |
| Sports   | 52,390      | 2,026,467   |
| Bulk sms Billing   | 467,452     | 348,110     |
| Community Sensitization                                  | 58,400      | 59,725      |

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|                         | <b>2021</b>        | <b>2020</b>        |
|-------------------------|--------------------|--------------------|
| Electricity admin       | 359,368            | 327,781            |
| Wstf expenses           | 123,634            | 4,487,181          |
| Provision for bad debts |                    | 12,148,095         |
|                         | <b>137,020,652</b> | <b>151,732,280</b> |

**(b) Staff Costs**

Staff costs comprise the following items:

|                                  | <b>2021</b>        | <b>2020</b>        |
|----------------------------------|--------------------|--------------------|
| Staff salaries and wages         | 77,585,345         | 67,601,047         |
| Employer's pension contributions | 7,649,387          | 7,033,007          |
| Temporary labour                 | 4,529,073          | 3,964,802          |
| Staff Benovalent Fund            | 185,400            | 216,351            |
| Staff welfare                    | 1,960,413          | 1,805,385          |
| Acting allowance and honorarium  | 1,558,341          | 2,307,651          |
| Leave allowances                 | 2,431,984          | 2,053,179          |
| Overtime payments                | 917,551            | 765,040            |
| Staff gratuity                   | 3,399,444          | 2,282,293          |
| staff retirement package         | 19,800             | 1,370,544          |
| Basic Salary Rural               | 6,839,867          | 12,833,352         |
|                                  | <b>107,076,605</b> | <b>102,232,651</b> |

| <b>The average number of employees at the end of the year was:</b> | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Contract employees – Management                                    | 7           | 7           |
| Contract employees – Support staff                                 | 9           | 6           |
| Permanent employees – Unionisable                                  | 152         | 168         |
| Temporary employees- casuals                                       | 40          | 13          |
|  | <b>208</b>  | <b>194</b>  |

**11. OPERATION AND MAINTENANCE COSTS**

|                                 | <b>2021</b> | <b>2020</b> |
|---------------------------------|-------------|-------------|
|                                 | <b>KSHS</b> | <b>KSHS</b> |
| Repairs and maintenance         | 6,295,696   | 6,253,026   |
| Electrical Expenses             | 814,499     | 157,946     |
| Security Services               | 7,795,469   | 8,241,665   |
| Vehicle running and maintenance | 4,645,221   | 3,722,605   |
| Fuel                            | 5,873,679   | 7,051,144   |
| Lease fees                      |             | 766,286     |
| WASREB Levy                     | 7,148,958   | 7,657,660   |

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|               |                   |                   |
|---------------|-------------------|-------------------|
| WRMA LEVY     | 2,228,400         | 2,216,355         |
| Standard Levy | 256,921           | 265,607           |
|               | <b>35,058,843</b> | <b>36,332,293</b> |

**12. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is arrived at after charging/(crediting):

|   | <b>2021</b>        | <b>2020</b>        |
|---|--------------------|--------------------|
| Staff costs                                   | 144,915,296        | 102,232,651        |
| Depreciation of property, plant and equipment | 5,734,597          | 7,287,956          |
| Amortisation of intangible assets             | 356,928            | 446,160            |
| Provision for bad and doubtful debts          | - 3,569,518        | 12,148,095         |
| Directors' emoluments - fees                  | 3,391,465          | 3,024,552          |
| Auditors' remuneration - current year fees    | 600,000            | 600,000            |
|   | <b>151,428,768</b> | <b>125,739,415</b> |

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**13. PROPERTY PLANT AND EQUIPMENT**

| 2020                     | Land    | Buildings | Heavy duty Tractor | Computer & Accessories | Motor Vehicles | Furniture and fittings | Meters     | Septic Tank | DTF       | Total       |
|--------------------------|---------|-----------|--------------------|------------------------|----------------|------------------------|------------|-------------|-----------|-------------|
| <b>COST OR VALUATION</b> |         |           |                    |                        |                |                        |            |             |           |             |
| As at 1st July 2019      | 800,000 | 7,878,903 | 5,471,624          | 7,243,219              | 32,150,095     | 27,587,626             | 9,432,015  |             |           | 90,563,482  |
| Additions                | -       | 320,000   | -                  | 157,500                | 199,000        |                        | 4,535,500  | 4,343,852   | 9,100,514 | 18,656,366  |
| Transfers                |         |           |                    |                        |                |                        |            |             |           | -           |
| Disposals                |         |           |                    |                        |                |                        |            |             |           | -           |
| As at 30th June 2020     | 800,000 | 8,198,903 | 5,471,624          | 7,400,719              | 32,349,095     | 27,587,626             | 13,967,515 | 4,343,852   | 9,100,514 | 109,219,848 |
| <b>DEPRECIATION</b>      |         |           |                    |                        |                |                        |            |             |           |             |
| As at 1st July 2019      | -       | 627,746   | 5,390,090          | 6,289,497              | 17,468,290     | 18,270,761             | 1,466,677  |             |           | 49,513,061  |
| Charge for the year      |         | 302,846   | 30,575             | 333,367                | 3,720,201      | 1,164,608              | 1,562,605  | 173,754     |           | 7,287,956   |
| Impairment loss          |         |           |                    |                        |                |                        |            |             |           | -           |
| Eliminated on disposal   |         |           |                    |                        |                |                        |            |             |           | -           |
| As at 30th June 2020     | -       | 930,592   | 5,420,666          | 6,622,864              | 21,188,491     | 19,435,369             | 3,029,281  | 173,754     | -         | 56,801,017  |
| <b>NET BOOK VALUE</b>    |         |           |                    |                        |                |                        |            |             |           |             |
| As at 30th June 2020     | 800,000 | 7,268,311 | 50,958             | 777,856                | 11,160,604     | 8,152,257              | 10,938,234 | 4,170,098   | 9,100,514 | 52,418,831  |

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| 2021                     | Land    | Buildings | Heavy duty Tractor | Computer & Accessories | Motor Vehicles | Furniture and fittings | Meters     | Septic Tank | DTF       | Total       |
|--------------------------|---------|-----------|--------------------|------------------------|----------------|------------------------|------------|-------------|-----------|-------------|
| <b>COST OR VALUATION</b> |         |           |                    |                        |                |                        |            |             |           |             |
| As at 30th June 2020     | 800,000 | 8,198,903 | 5,471,624          | 7,400,719              | 32,349,095     | 27,587,626             | 13,967,515 | 4,343,852   | 9,100,514 | 109,219,848 |
| Additions                |         | 339,521   |                    | 669,460                |                |                        | 3,836,033  | 20,001      | 744,885   | 5,609,900   |
| Transfers                |         |           |                    |                        |                |                        |            |             |           | -           |
| Disposals                |         |           |                    |                        |                |                        |            |             |           | -           |
| As at 30th June 2021     | 800,000 | 8,538,424 | 5,471,624          | 8,070,179              | 32,349,095     | 27,587,626             | 17,803,547 | 4,363,853   | 9,845,399 | 114,829,748 |
| <b>DEPRECIATION</b>      |         |           |                    |                        |                |                        |            |             |           | -           |
| At June 30, 2019         | -       | 627,746   | 5,390,090          | 6,289,497              | 17,468,290     | 18,270,761             | 1,466,677  |             |           | 49,513,061  |
| Charge for the year      |         | 760,783   | 10,192             | 434,195                | 2,790,151      | 1,019,032              | 369,357    | 104,752     | 246,135   | 5,734,597   |
| Impairment loss          |         |           |                    |                        |                |                        |            |             |           | -           |
| Eliminated on disposal   |         |           |                    |                        |                |                        |            |             |           | -           |
| As at 30th June 2021     | -       | 1,691,375 | 5,430,857          | 7,057,058              | 23,978,642     | 20,454,401             | 3,398,638  | 278,507     | 246,135   | 62,535,614  |
| <b>NET BOOK VALUE</b>    |         |           |                    |                        |                |                        |            |             |           | -           |
| At June 30, 2021         | 800,000 | 6,847,049 | 40,767             | 1,013,121              | 8,370,453      | 7,133,225              | 14,404,909 | 4,085,347   | 9,599,264 | 52,294,134  |

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- In the financial year, the company mobile phone for meter readers, a container for the NRW Office
- In addition assorted meters were procured
- In the financial year, the company procured a cycle for Kipkelion Scheme and constructed a Septic Tank.

Property, plant and equipment include the following items that are fully depreciated:

|                                  | %    | Cost or valuation  | Normal annual depreciation charge |
|----------------------------------|------|--------------------|-----------------------------------|
| Land                             |      | 800,000            |                                   |
| Plant and Buildings              | 10   | 8,538,424          | 760,783                           |
| Heavy duty Tractor               | 20.0 | 5,471,624          | 10,192                            |
| Computer & Accessories           | 30.0 | 8,070,179          | 434,195                           |
| Motor Vehicles                   | 25.0 | 32,349,095         | 2,790,151                         |
| Furniture and fittings           | 12.5 | 27,587,626         | 1,019,032                         |
| Meters                           | 2.5  | 17,803,547         | 369,357                           |
| Septic Tank                      | 2.5  | 4,363,853          | 104,752                           |
| Decentralised Treatment Facility | 2.5  | 9,845,399          | 246,135                           |
|                                  |      | <b>104,984,349</b> | <b>5,734,597</b>                  |

Depreciation is charged on a straight line basis and a full year charge is made on all the item purchased.

The company also has motor vehicles that have been given by the Water Services Board and other partners for purposes of service delivery but the ownership is still with them.

**14. LAND**

The company has acquired full ownership of the land in the books

**15. INTANGIBLE ASSETS**

This relates to the billing, accounting, payroll , Human resource, GIS and the accounting software that are currently being used by the company.

| <b>COST</b>            | <b>Computer Software</b> |
|------------------------|--------------------------|
| <b>At June 30 2019</b> | <b>9,078,300</b>         |
| Additions              | <b>120,872</b>           |
| Disposals              |                          |
| <b>At June 30 2020</b> | <b>9,199,172</b>         |
| Additions              |                          |
| Disposals              |                          |
| <b>At June 30 2021</b> | <b>9,199,172</b>         |
| <b>AMORTISATION</b>    |                          |
| <b>At June 30,2019</b> | <b>6,968,370</b>         |
| Charge for the year    | <b>446,160</b>           |
| Prior Year adjustment  | 25                       |

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|                         |                  |
|-------------------------|------------------|
| Disposals               |                  |
| Impairment loss         |                  |
| <b>At June 30,2020</b>  | <b>7,414,531</b> |
| Charge for the year     | <b>356,928</b>   |
| Prior Year adjustment   |                  |
| Disposals               |                  |
| Impairment loss         |                  |
| <b>At June 30,2021</b>  | <b>7,771,459</b> |
| <b>NET BOOK VALUE</b>   |                  |
| <b>At June 30, 2021</b> | <b>1,427,713</b> |
| <b>At June 30,2019</b>  | <b>1,784,641</b> |

**16. FINANCE COSTS**

These are the bank charges that are normally incurred in the day to day operations

|               |           |           |
|---------------|-----------|-----------|
| Finance Costs | 1,156,425 | 1,238,669 |
|---------------|-----------|-----------|

**17. INVENTORIES**

|                              | <b>2021</b>      | <b>2020</b>      |
|------------------------------|------------------|------------------|
|                              | <b>Kshs</b>      | <b>Kshs</b>      |
| Pipes ,stationery and spares | 2,817,301        | 2,660,297        |
|                              | <b>2,817,301</b> | <b>2,660,297</b> |

**18. TRADE RECEIVABLES**

|  | <b>2021</b>        | <b>2020</b>        |
|--|--------------------|--------------------|
|  | <b>Kshs</b>        | <b>Kshs</b>        |
| Trade receivables                          | 195,043,727        | 192,900,936        |
| Staff receivables                          | 663,067            | 594,217            |
| VAT Receivables                            | 8,782,552          | 8,782,552          |
| Other receivables                          | 8,100,000          | 8,100,000          |
| Gross trade and other receivables          | <b>212,589,345</b> | <b>210,377,705</b> |
| Provision for bad and doubtful receivables | 8,578,577          | 12,148,095         |
| Net Trade Receivables                      | <b>204,010,769</b> | <b>193,206,427</b> |

|                         |                    |
|-------------------------|--------------------|
| Less than 30 days       | 10,496,932         |
| Between 30 and 60 days  | 6,046,584          |
| Between 61 and 90 days  | 6,037,526          |
| Between 91 and 120 days | 4,306,852          |
| Over 120 days           | 185,701,452        |
|                         | <b>212,589,347</b> |

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**19. a) CASH AND CASH EQUIVALENT**

This relates the balances as at 30<sup>th</sup> June 2021

|              | <b>2021</b>       | <b>2020</b>       |
|--------------|-------------------|-------------------|
| Cash at Bank | 17,647,205        | 19,952,692        |
| Cash In Hand | 0                 | 0                 |
|              | <b>17,647,205</b> | <b>19,952,692</b> |

**b) Detailed analysis of the cash and cash equivalents is as below:**

| <b>Account Name</b>                              | <b>Account No</b> | <b>2021<br/>Kshs</b> | <b>2020<br/>Kshs</b> |
|--|-------------------|----------------------|----------------------|
| Co-operative Bank of Kenya - Revenue Account     | 01136053726801    | 960,832              | 1,554,813            |
| Co-operative Bank of Kenya - Deposit Account     | 01136053726800    | 6,332,830            | 4,135,100            |
| Co-operative Bank of Kenya - GIZ funding Account | 01136053726803    | 13,530               | 815,035              |
| Co-operative Bank of Kenya-UBSUP Phase III       | 01136053726808    |                      | 1,702,459            |
| Family Bank Limited - Exhauster Account          | 0220000004636     | 1,118,693            | 596,436              |
| Kenya Commercial Bank Limited - Refuse Account   | 1103618563        | 610,156              | 610,156              |
| KCB - KCB Deposit                                | 1104926946        | 1,275,838            | 1,275,838            |
| KCB Revenue                                      | 1104927179        | 3,297,418            | 3,297,418            |
| KCB Expenditure                                  | 1108396682        | 1,096,487            | 1,064,190            |
| MPESA Collection-Urban                           | 803600            | 412,096              | 568,383              |
| MPESA A/c charges                                | 803600            | - 2,541              | - 3,497              |
| Mpesa MMF  | 803600            | 582                  | 789,293              |
| MPESA Collection Kericho Rural                   | 830590            | 209,753              | 424,234              |
| Post Bank Collection A/c                         | 074413011171      | 273,486              | 321,669              |
| Posta Collection A/c                             | KCHO-001          | 5,935                | - 371,961            |
| Equity Bank - Holding A/c                        | 0280299023589     | 867,080              | 2,063,688            |
| Equity Bank-Revenue                              | 0530199886550     | 10,880               | 35,205               |
| Equity Bank-Deposit                              | 0530199886579     | 1,154,281            | 856,181              |
| Equity Bank-Expenditure                          | 0530299886559     | 9,868                | 218,052              |
|  |                   | <b>17,647,205</b>    | <b>19,952,692</b>    |

**20. ORDINARY SHARE CAPITAL**

**Authorised:**

405,000 ordinary shares of Kshs 20 par value each

8,100,000

8,100,000

=====

=====

**Issued and not paid:**

All the shares were issued and not paid

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**21. RETAINED EARNINGS**

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

|                   | <b>2021</b>   | <b>2020</b>   |
|-------------------|---------------|---------------|
| Retained earnings | (117,242,257) | (124,100,181) |

**22. DEFERRED LIABILITY**

|                                     | <b>2021</b> | <b>2020</b>       |
|-------------------------------------|-------------|-------------------|
|                                     | <b>KSH</b>  | <b>KSH</b>        |
| Due to County Government of Kericho | <b>0</b>    | <b>17,007,359</b> |

The deferred liability related to creditors inherited from the defunct Municipal Council of Kericho on 1 July 2004. Since the inception of the company no claim has been made. Furtherance to this there are no supporting schedules and has been outstanding for over 10 years. The same was approved to be written off by the board of directors.

**23. BORROWINGS**

Borrowings represent insurance financing loan and motor vehicle asset financing.

|                            | <b>2021</b> | <b>2020</b> |
|----------------------------|-------------|-------------|
| Borrowings( asset Finance) | 852,693     | 1,563,191   |

**24. a) TRADE PAYABLES**

|                         | <b>2021</b>        | <b>2020</b>        |
|-------------------------|--------------------|--------------------|
| Trade payables          | 44,271,831         | 126,732,522        |
| Accrued Expenses        | 576,683            |                    |
| Employee Payables(24b)  | 55,964,592         |                    |
| Customer Deposits (24c) | 27,375,391         | 26,127,932         |
| Other Payables( 24d)    | 142,318,345        | 106,788,200        |
|                         | <b>270,506,842</b> | <b>259,648,654</b> |

**b) EMPLOYEE PAYABLES**

Employee Payables are payables that result from staff deductions ,loans, PAYE etc

|                | <b>2021</b>       | <b>2020</b>       |
|----------------|-------------------|-------------------|
| PAYE           | 16,537,676        | 16,553,677        |
| Staff Gratuity | 5,635,799         | 4,029,140         |
| Salaries Due   | 33,791,117        | 54,458,061        |
|                | <b>55,964,592</b> | <b>75,040,878</b> |

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**c) CUSTOMER DEPOSITS**

Customer Deposits represent amounts paid by customer upon registration of a new connection. The amount is refundable on request by the customer when he or she no longer needs water to be supplied in his/her residence.

|                                 | <b>2021</b>       | <b>2020</b>       |
|---------------------------------|-------------------|-------------------|
|                                 | <b>Kshs</b>       | <b>Kshs</b>       |
| Customer Deposits-Urban         | 18,182,501        | 17,181,042        |
| Customer Deposits-Kericho Rural | 9,192,890         | 8,946,890         |
| <b>Total</b>                    | <b>27,375,391</b> | <b>26,127,932</b> |

**d) OTHER PAYABLES**

|   | <b>2021</b>        | <b>2020</b>        |
|---|--------------------|--------------------|
|   | <b>Kshs</b>        | <b>Kshs</b>        |
| Due to Water Resources Managemnet Authority     | 523,670            | 3,525,399          |
| Due to Water Services Regulatory Board          | 15,209,806         | 13,495,533         |
| Due to Lake Victoria South Water Services Board | 66,147,041         | 68,772,041         |
| Due to the County Government of Kericho         | 26,378,728         | 20,995,228         |
| Due to the Bomet Water Company                  | 34,059,101         | 30,573,516         |
|   | <b>142,318,345</b> | <b>137,361,716</b> |

**25. RETIREMENT BENEFIT OBLIGATIONS**

The company operates a defined contribution scheme for all full-time employees from July 1, 1997. The scheme is funded by contributions from both the company and its employees. The balance of the defined contribution scheme is as analysed below.

|                                  | <b>2021</b>       | <b>2020</b>       |
|----------------------------------|-------------------|-------------------|
|                                  | <b>KSH</b>        | <b>KSH</b>        |
| Balance at beginning of the year | 60,777,958        | 38,240,854        |
| Contributions during the year    | 18,980,188        | 35,778,387        |
| Paid out during the year         | ( 8,513,985)      | (13,241,283)      |
| Balance at end of the year       | <b>71,244,161</b> | <b>60,777,958</b> |

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

|                                  | <b>2021</b> | <b>2020</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>KSH</b>  | <b>KSH</b>  |
| Balance at beginning of the year | 1,804,128   | 1,880,818   |

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|  |                  |                  |
|--|------------------|------------------|
| Additional provision at end of year        | 2,431,984        | 3,032,914        |
| Leave paid out or utilised during the year | - 2,431,984      | - 3,109,604      |
| Balance at end of the year                 | <b>1,804,128</b> | <b>1,804,128</b> |

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

**26. NOTES TO THE STATEMENT OF CASH FLOW**

**(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations**

|   | <b>2021</b>        | <b>2020</b>        |
|---|--------------------|--------------------|
|   | <b>Kshs</b>        | <b>Kshs</b>        |
| Operating profit/(loss)                                       | (10,149,436)       | (15,195,788)       |
| Depreciation  | 5,734,597          | 7,287,956          |
| Amortisation  | 356,928            | 446,160            |
| <b>Operating profit/(loss) before working capital changes</b> | <b>(4,057,909)</b> | <b>(7,461,671)</b> |
| (Increase)/decrease in inventories                            | (157,005)          | (933,993)          |
| (Increase)/decrease in trade and other receivables            | (10,804,342)       | (19,637,458)       |
| (Increase)/decrease in prepaid payables                       | 207,386            | 308,683            |
| Increase/(decrease) in trade and other payables               | 10,858,188         | 40,394,608         |
| Increase/(decrease) prepaid receivables                       | 19,888             | 1,157,172          |
| Increase/(decrease) in staff gratuity                         | -                  | (1,816,253)        |
| Increase/(decrease) in Retirement Benefit Obligation          | 10,466,202         | 22,537,104         |
| Increase/(decrease) in deferred liability                     | (17,007,359)       |                    |
| Increase/(decrease) in deferred income                        | (2,517,495)        |                    |
| Increase/(decrease) in capital reserves                       | 17,007,359         | (11,236,804)       |
|   | <b>6,818,831</b>   | <b>21,392,419</b>  |
| Cash generated from/(used in) operations                      | <b>4,014,912</b>   | <b>23,311,386</b>  |

**27. NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUALS AMOUNTS**

- a) Sales: the sales figure is way below the budgeted amount since the company was largely affected by the COVID 19 pandemic as most institution and schools were closed who are the major customers. The other reason is that electricity and bulk water supply were disconnected for months, thus reducing billings.
- b) Grants: The difference in grant income was as a result of a commitment by the County Government of Kericho to pay the difference in Salaries after the take over as outlined in the deed of transfer to the employees working at the former Tilwasco
- c) Bulk Water Purchase cost: the budget was as a result of the average daily water

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received, however in the financial year, we received did not receive much water since supply was interrupted for more than 3 months.

- d) Most of the expenditure was not incurred largely as a result of the reduction in revenue billing and collections due to the COVID 19 pandemic.

**28. RELATED PARTY DISCLOSURES**

**a) Nature of related party relationships**

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The Group is related to

- i) County Government of Kericho
- ii) Water Fund
- iii) WASREB
- iv) WARMA
- v) Lake Victoria South Water Services Board
- vi) Key management
- vii) Board of directors

**Transactions with related parties**

**a) Key Management Remuneration**

|                             | <b>2021</b>       | <b>2020</b>       |
|-----------------------------|-------------------|-------------------|
|                             | <b>Kshs</b>       | <b>Kshs</b>       |
| Directors Allowances        | 3,391,465         | 3,024,552         |
| Key Management Compensation | 13,065,900        | 12,054,000        |
|                             | <b>16,457,365</b> | <b>15,078,552</b> |

**b) Due to other Related parties**

|   | <b>2021</b>        | <b>2020</b>        |
|---|--------------------|--------------------|
|   | <b>Kshs</b>        | <b>Kshs</b>        |
| Due to Water Resources Managemnet Authority     | 523,670            | 3,525,399          |
| Due to Water Services Regulatory Board          | 15,209,806         | 13,495,533         |
| Due to Lake Victoria South Water Services Board | 66,147,041         | 68,772,041         |
| Due to the County Government of Kericho         | 26,378,728         | 20,995,228         |
| Due to the Bomet Water Company                  | 34,059,101         | 30,573,516         |
|   | <b>142,318,345</b> | <b>137,361,716</b> |

**29. FINANCIAL RISK MANAGEMENT**

The company's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of

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changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**a) Credit risk**

The company has exposure to credit risk, which is the risk that a customer 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 company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

|                   | <b>2021</b>        | <b>2020</b>        |
|-------------------|--------------------|--------------------|
|                   | <b>Kshs</b>        | <b>Kshs</b>        |
| Trade receivables | 204,010,769        | 198,229,610        |
| Bank balances     | 17,647,205         | 19,952,692         |
|                   | <b>221,657,974</b> | <b>218,182,303</b> |

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 Receivables from Bomet County since assets and liabilities have not been shared.

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.

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the company 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

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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.

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
|  | <b>Kshs</b> | <b>Kshs</b> |
| Trade payables and other current liabilities | 346,794,073 | 299,321,864 |

**c) Market risk**

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

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

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

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

**d) Capital management**

Capital managed by the company is the equity attributable to the equity holders. The primary objective of the company's capital management is to ensure that it maintains healthy capital ratio in order to support its business.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 30 June 2021.

|                                    | <b>2021</b>        | <b>2020</b>        |
|------------------------------------|--------------------|--------------------|
|                                    | <b>Kshs</b>        | <b>Kshs</b>        |
| Trade and other payables           | 346,794,073        | 299,321,864        |
| Less: cash and short-term deposits | 17,647,205         | 19,952,692         |
| Net debt                           | <b>329,146,869</b> | <b>279,369,171</b> |
| Equity                             | 8,100,000          | 8,100,000          |

The company monitors capital using a gearing ratio. This ratio is calculated as net debt divided

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by total capital. Net debt is calculated as total of interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.

**30. ONGOING PROJECTS**

In the financial year, we have had projects done by Lake Victoria South Water Works Development Agency within the company's area namely:

- a) Water Sector Development Program for the construction of Kimugu Treatment works .This project started in April 2019 still ongoing.
- b) Kericho UBSUP Phase 3: this is funded by WSTF and is fully implemented by the company.

**31. INCORPORATION**

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

**32. EVENTS AFTER THE REPORTING PERIOD**

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

**33. CURRENCY**

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

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**APPENDICES**

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**APPENDIX I: 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:      | Timeframe: |
|--|---|---|--------------|------------|
| KSM/KWSC/2019/20/10                        | <p><b>1.0 Cash and cash Equivalent.</b></p> <p>Included in the statement of financial position as at 30 June 2020 is Kshs. 19,952,692 in relation to bank and cash balances. However, the following anomalies were noted:</p> <ul style="list-style-type: none"> <li>i. The analysis of cash and cash equivalents as shown in Note 20 of the financial statements shows nineteen (19) bank accounts held by the entity. However, details of account numbers for fifteen (15) bank accounts were not disclosed.</li> <li>ii. Supporting documents including bank reconciliations, cash books and board of survey certificates for the following three bank accounts were not availed for audit review:</li> <li>iii. Posta collection account reflects a debit balance of Kshs. (371,961). No reason has been provided to explain why the account was overdrawn. In addition, the supporting documents such as certificate of bank balance, cash book, reconciliation statement, and board of survey certificate for the account have not been provided for audit review.</li> </ul> | <p>The three bank accounts refer to accounts in the name of Chemosit Water and Sanitation Company which are held at KCB Sotik and are frozen. The accounts have been frozen since 2013 and the status as is that the court made a ruling and the same is yet to be shared by the legal team from Lake Victoria South Water Works Development Agency</p> | Not Resolved | Ongoing    |
|  | <p><b>2.0 Trade and Other Payables</b></p> <p>The following inconsistencies were noted from the trade payables,</p>   |   | Resolved     |            |

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|  |   |   |   |                |
|--|---|---|---|----------------|
|  | <p><b>i. Outstanding staff gratuity</b> of Kshs. 4,029,140 was not supported by relevant payment schedules including names of individual beneficiaries.</p> <p><b>ii. Lake Victoria Water Services Board Levy</b><br/>         Included in the trade and other payables figure of Kshs.108,490,660 is Kshs.68,772,041 due to Lake Victoria South Water Services Board (LVSWSB). In addition, the figure does not agree with Kshs.44,810,748 due from KEWASCO as reported in the financial statements of LVSWSB for the year ended 30 June 2020. The resultant difference of Kshs.23,961,293 has not been reconciled or explained.</p> <p><b>iii. Deferred Liability</b><br/>         The deferred liability of Kshs. 17,007,359 has remained the same over the years with the management failing to support the balance with a listing.</p> <p><b>iv. PAYE of Kshs. 16,553,677.23</b> was outstanding and could attract a huge amount of penalty which would be detrimental to the management of the entity.</p> <p><b>v. Audit fees</b> of Kshs. 5,934,800 has remained outstanding for a long period which is contrary to the Public Audit Act ,2015.</p> <p><b>vi.</b> It was also noted that other accruals such as WSTF Funds of</p> | <p><b>i. Outstanding Staff gratuity of Kshs 4,029,140</b> refers to gratuity provisions made monthly for staff on contract which are payable at the end of the contract period. Attached is a list of the individual beneficiaries and the date when the contracts end.</p> <p><b>ii. Lake Victoria Water Services Board Levy</b><br/>         Kshs 68,772,041 is reflected as the amount outstanding as at the end of the year. A reconciliation for the same was done reflecting a balance of Kshs 44,810,748 for urban and Kshs 23,961,293 for rural cost centre respectively.</p> <p><b>iii. Deferred Liability</b><br/>         Deferred Liability refers to outstanding liabilities during the inception of the company. The same has been retaken to the board in the financial year 2020/2021 and a recommendation to write off the amount has been approved since effort to get the list has not bore fruits since the inception of the company3</p> <p><b>iv. PAYE of Kshs. 16,553,677.23</b> has been outstanding since the year 2013 which resulted</p> | <p>Resolved</p> <p>Resolved</p> <p>Unresolved</p> <p>Unresolved</p> | <p>Ongoing</p> |
|--|---|---|---|----------------|

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|  |   |   |                   |                |
|--|---|---|-------------------|----------------|
|  | <p>Kshs.1,702,459.95 and Pipe relocation and septic tank of Kshs.815,035 were wrongly misclassified to trade and other payables.</p>  | <p>during an implementation of a CBA that was due. The company has made efforts to reduce the amount outstanding on a monthly basis. Discussion with the County government of Kericho to bail out the company by allocating funds to clear this amongst other items is ongoing. Currently the company cannot afford to clear this amount at once.</p> <p>v. <b>Audit fees</b> of Kshs. 5,934,800 have remained outstanding since the company has had financial challenges. However we have developed a framework to clear current year's fees.</p> <p>i. <b>WSTF Funds</b> of Kshs 1,702,459.95 and Pipe relocation and septic tank of Kshs 815,035 were wrongly misclassified to trade and other payables.</p> | <p>Resolved</p>   |                |
|  | <p><b>3.0 Non - Revenue Water (NRW)</b></p> <p>During the year under review, the Company produced 4,980,000 (M<sup>3</sup>) cubic meters of water out of which 2,490,000 (M<sup>3</sup>) cubic meters was billed to customers. The balance of 2,490,000 (M<sup>3</sup>) cubic meters or approximately 50 % of the volume represents Non-Revenue Water (NRW) which is 25 % over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.</p> | <p>NRW remains a challenge in the company and efforts to reduce the same are being implemented gradually. NRW reduction has a huge cost implication. Proposal to fund the NRW reduction strategies have been developed and given to the County Government of Kericho and Other development partners. However as a company we have made efforts with our monthly generated revenue to address the same.NRW is caused by physical loses and commercial loses. Physical loses are due to leakages, bursts and overflows through the existing old and dilapidated supply network</p>  | <p>Unresolved</p> | <p>Ongoing</p> |

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|  |  |   |  |  |
|--|--|---|--|--|
|  |  | <p>while commercial loses are mainly due to metering anomalies and illegal connections.</p> <p>As a company we have done the following:</p> <ul style="list-style-type: none"> <li>i. Creation of District Metered Areas (DMAs) and Sub-DMAs to sub-divide the supply area into small manageable areas for water balance computation. Through this measure, it has been established that there are sub-DMAs with NRW as high as 70% while others are as low as 20%. The Company has therefore prioritized reduction measures at the highest NRW areas while ensuring that the ones with low NRW remain stable. The reduction measures undertaken include: carrying out of minimum night flow measurements, installation of pressure reducing valves, active leak detection and repair, termination of cut-off accounts from the mains to curb illegal connections among others. Over the last two years, the sub-DMA with 70% NRW has managed to reduce to up to 65% but many efforts are still needed to reduce it further.</li> <li>i. The Company has established a NRW Team composed of 8 staff members whose main role is to carry out NRW reduction activities in the NRW Reduction Strategy. This Strategy clearly spells out the reduction measures, timeframes, responsible parties and the associated budget. In this way, it is easier to monitor, track and check the effectiveness of various interventions and adjust accordingly where necessary to ensure there is positive progress</li> </ul> |  |  |
|--|--|---|--|--|

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|  |  |  |                                   |                  |
|--|--|--|-----------------------------------|------------------|
|  |  | <p>and the NRW trajectory is brought down.</p> <p>i. Pipeline replacements have been done in the specific DMA's with high NRW in an effort to reduce the same. This exercise is costly to the company and it requires significant investment.</p> <p>v. Meter replacements have been a continuous exercise that is done by the NRW team on a day to day basis.</p> <p>In the financial year 2020/2021 additional DMA's have been created in an effort to establish NRW at a route level.</p> |                                   |                  |
|  | <p><b>4.0 Property, Plant and Equipment Finding</b></p> <p>Included in the statement of financial position as at 30 June 2020 is property, plant and equipment figure of Kshs. 43,264,085. This figure is the net book value as at 30 June 2020 derived from the cost of assets as at 30 June 2020 of Kshs. 100,062,179 and accumulated depreciation of Kshs. 56,798,093. However, the following issues were noted:</p> <p>i. The fixed assets register showing details of the assets acquired by the entity was not provided for audit review. As a result, it was not possible to confirm the accuracy of the costs of Kshs. 100,062,179, accumulated depreciation of Kshs. 56,798,094.</p> <p>ii. Included in the additions during the year is Kshs. 270,345 for buildings. However, the total amount paid for a 20 feet container was Kshs. 320,000 through cheque No.011956. The disclosure resulted in an understatement of Kshs. 49,655. In addition, the meters figure of Kshs. 4,528,000 included in the additions during</p> | <p>i. Attached is an asset register for the same. Asset revaluation is ongoing in the financial year 2020/2021</p> <p>ii. The difference in buildings and meters has been adjusted and corrected in the amended financial statements.</p>  | <p>Unresolved</p> <p>Resolved</p> | <p>June 2022</p> |

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|                         | the year is understated by Kshs. 7,500.  |  |                    |                |                    |                |                         |           |          |          |  |                      |         |          |          |  |   |  |  |
|-------------------------|--|--|--------------------|----------------|--------------------|----------------|-------------------------|-----------|----------|----------|--|----------------------|---------|----------|----------|--|---|--|--|
|                         | <p><b>5.0 Payments Not Supported</b><br/> The examination of payment details relating to Directors allowances and emoluments revealed that in the month of November 2019, the management organized for the induction training for its Directors. A budget of Kshs. 1,087,500 was proposed for the induction and training. However, scrutiny of payment voucher No. 8305 of 13-11-2019 of Kshs. 827,700 does not provide details of the full payment.</p>   | Attached are the documents showing the details of the full payment of 827,700 (Annex 3)  | Resolved           |                |                    |                |                         |           |          |          |  |                      |         |          |          |  |   |  |  |
|                         | <p><b>6.0 Ethnic Composition</b><br/> A review of the staff establishment and documents provided revealed that over 95% of the staff at Company are from one dominant community within the County. This is contrary to the provisions of the National Cohesion &amp; Integration Act, 2008.</p>  | Most of the staff working at the Company were staff transferred from the defunct Municipal Council of Kericho and the former National Water and Pipeline Conservation Corporation therefore major recruitment were done way back. However as we recruit we endeavor to balance the same to reflect the provisions of the National Cohesion and Integration Act 2008. | Unresolved         | Ongoing        |                    |                |                         |           |          |          |  |                      |         |          |          |  |   |  |  |
|                         | <p><b>7.0 Employees Earning Less Than 1/3 of their Salaries</b><br/> A review of the monthly payroll summaries revealed that some employees had deductions surpassing two thirds of their basic salary contrary to the Public Service Commission Human Resource Policies. The details are as shown below:</p> <table border="1"> <thead> <tr> <th>Employee Name</th> <th>Basic Pay Kshs</th> <th>Net Pay Kshs</th> <th>1/3 Basic Pay-Kshs</th> <th>Variation Kshs</th> </tr> </thead> <tbody> <tr> <td>Dennis Cheruiyot Langat</td> <td>13,995.00</td> <td>4,366.80</td> <td>4,665.00</td> <td></td> </tr> <tr> <td>David Kipyegon Kirui</td> <td>13,560.</td> <td>4,365.50</td> <td>4,520.00</td> <td></td> </tr> </tbody> </table> | Employee Name  | Basic Pay Kshs     | Net Pay Kshs   | 1/3 Basic Pay-Kshs | Variation Kshs | Dennis Cheruiyot Langat | 13,995.00 | 4,366.80 | 4,665.00 |  | David Kipyegon Kirui | 13,560. | 4,365.50 | 4,520.00 |  | The same has been noted and it will be rectified. |  |  |
| Employee Name           | Basic Pay Kshs   | Net Pay Kshs   | 1/3 Basic Pay-Kshs | Variation Kshs |                    |                |                         |           |          |          |  |                      |         |          |          |  |   |  |  |
| Dennis Cheruiyot Langat | 13,995.00  | 4,366.80   | 4,665.00           |                |                    |                |                         |           |          |          |  |                      |         |          |          |  |   |  |  |
| David Kipyegon Kirui    | 13,560.  | 4,365.50   | 4,520.00           |                |                    |                |                         |           |          |          |  |                      |         |          |          |  |   |  |  |

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|---|-----------|---------------|-----------|-----------|---|--|------------|--|---------|
|   |           | 00            |           |           |   |  |            |  |         |
| Alfonce Kiplangat Kigen   | 28,767.00 | 8,259.90      | 9,589.00  | -1,329.10 |   |  |            |  |         |
| David Kipyegon Kirui  | 13,560.00 | 4,365.50      | 4,520.00  | -154.50   | Feb-20  |  |            |  |         |
| Alfonce Kiplangat Kigen   | 28,767.00 | 8,259.90      | 9,589.00  | -1,329.10 |   |  |            |  |         |
| Peter Cheruiyot Langat  | 49,360.00 | 9,718.30      | 16,453.33 | -6,735.03 |   |  |            |  |         |
| Dennis Cheruiyot Langat   | 13,995.00 | 4,443.90      | 4,665.00  | -221.10   | Mar-20  |  |            |  |         |
| David Kipyegon Kirui  | 13,560.00 | 4,365.50      | 4,520.00  | -154.50   |   |  |            |  |         |
| Irene Chelangai Ketai   | 18,137.00 | 5,738.50      | 6,045.67  | -307.17   |   |  |            |  |         |
| Alfonce Kiplangat Kigen   | 28,767.00 | 8,259.90      | 9,589.00  | -1,329.10 |   |  |            |  |         |
| <b>8.0 Inventory</b>  |           |               |           |           | Stock take was done at the end of the financial year and attached is a list of the same.(   |  | Resolved   |  |         |
| During the year under review, stock sheets were not provided to confirm the valuation at the end of the financial year. In view of the foregoing, we could not determine the accuracy, existence, and completeness of inventory balance of Kshs. 2,660,297. |           |               |           |           |   |  |            |  |         |
| <b>9.0 Unaccounted for Deposits</b>   |           |               |           |           | The variance in deposits resulted in borrowings from the said accounts from the rural and urban cost center. The same were authorized by the board and were to be refunded back within an approved time. However due to financial challenges the same was not timely refunded. In the last three years no |  | Unresolved |  | Ongoing |
| The statement of financial position as at 30 June 2020 indicates customer deposits as Kshs. 26,127,932. However, the bank statements indicated that the customer deposits totaled Kshs. 6,289,097. as tabulated below,                                      |           |               |           |           |   |  |            |  |         |
| <b>Bank Account</b>   |           | <b>Amount</b> |           |           |   |  |            |  |         |

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|  | (Kshs)           |  |   |          |
|--|------------------|--|---|----------|
| Cooperative bank deposits  | 4,157,078        |  |   |          |
| Kenya Commercial bank deposits   | 1,275,838        |  |   |          |
| Equity bank deposits   | 856,181          |  |   |          |
| <b>Total</b>   | <b>6,289,097</b> |  |   |          |
| <p><b>10.0 Unsupported Lease Fees</b></p> <p>Note 11 to the financial statements is operation and maintenance expenses of Kshs. 36,339,793 which includes lease fees of Kshs. 766,286. The amount comprised of Kshs. 644,348 paid to Lake Victoria South Water Development Works Agency (LVSWWDA) being 4% of the revenue collections for the month of July 2019 and Kshs. 121,938 being correction of two prior invoices.</p> <p>However, management did not provide policy or guidelines authorizing such remittances to LVSWWDA, a probe into lease fees for other remaining months revealed that further payments were stopped, and instructions circulated advising the fees be paid to Water Services Regulatory Board (WASREB).</p> |                  |  | <p>borrowings have been done and the company has managed to do a monthly refund of Kshs 100,000 to the deposit account through a standing order.</p> <p>The amount for lease fees were amounts omitted in the prior year.</p> | Resolved |
| <p><b>11.0 Receivables</b></p> <p>Included in the statement of financial position as at 30 June 2021 is Kshs. 193,206,427 in relation to trade and other receivables. However, the following issues were noted.</p> <p>i. Included in trade receivables balance of Kshs. 192,900,936 is Kshs. 45,490,212 for Bomet county debtors. However, the supporting documents including the debtors' ledgers and ageing analysis were not provided for audit review.</p> <p>i. VAT receivables of Kshs. 8,782,552 were not supported with</p>   |                  |  | <p>Proper ledgers should be maintained that shows age analysis to enable more accurate Company to intensify its debt collection initiative to improve on its cash flow.</p>   | Resolved |

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|--|--|--|-------------------|----------------|
|  | <p>supporting documents including invoices to show the VAT input and output computations.</p> <p>i. Other receivables of Kshs. 8,100,000 relate to ordinary share capital not paid. However, supporting documents to support this amount such as share allotments, offers and shareholders' register were not availed for audit review.</p> <p>v. Staff receivables balance of Kshs. 594,217 was not supported with documents such as imprest warrants. As a result, the accuracy and validity of Kshs. 594,217 could not be confirmed.</p> <p>v. The provision for bad and doubtful receivables is reported as Kshs. 12,148,095. However, the debtors' policy was not availed for review and as a result, it is not possible to confirm how the computation was arrived at.</p> |  |                   |                |
|  | <p><b>12.0 Financial Performance</b><br/> The Company operated on a negative working capital of Kshs. 85,812,557 by the close of the financial year as its current liabilities of Kshs. 301,839,359 are more than the current assets of Kshs. 216,026,802</p>  | <p>i. With the takeover of Tililbei Water Company Kshs 65,491,847 were outstanding liabilities. However the County Government of Kericho had agreed through a signed subsidy support agreement to clear all the pending liabilities, bulk water supply and electricity bills in regards to Tililbei Water and Sanitation Company. The same has been adhered to partly and payments for bulk water and electricity are being made but outstanding liabilities payment has not been honored. Attached is a copy of the</p> | <p>Unresolved</p> | <p>Ongoing</p> |

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|  |   | <p>subsidy support agreement. (Annex 10)</p> <p>ii. An ongoing water project under the Water Sector Development Program called New Kimugu Treatment Plant will be completed by December 2021. The project will inject additional 13,000m<sup>3</sup> per day. This will lead to increased water sales in the year 2022 going forward.</p> <p>iii. We have also applied for a new tariff to the Water Service Regulatory Board and the same is at an advanced stage. With an approved tariff, the sales will also increase significantly.</p> |  |  |
|  | <p><b>13.0 Share Capital</b></p> <p>The share capital of the Company of Kshs. 8,100,000 has not been supported by share certificate or any other documentary evidence</p> | <p>The 405,000 shares are still yet to be paid by the County Government of Kericho.</p>  |  |  |

Signature: Kibii Chepkwony Siele Date: 2/9/2022

**Kibii Chepkwony Siele**  
**Managing Director**

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects implemented by the Kericho Water and Sanitation Company funded by development partners

| Project title   | Project Number          | Donor                   | Period/<br>duration | Donor<br>comm<br>itment | Separat<br>e donor<br>reportin<br>g<br>require<br>d as per<br>the<br>donor<br>agreem<br>ent<br>(Yes/N<br>o) | Consolida<br>ted in<br>these<br>financial<br>statements<br>(Yes/No) |
|---|-------------------------|-------------------------|---------------------|-------------------------|---|---|
| <b>1.Kericho Household Sanitation Project Phase III</b> | O1HS/LVSWSB/KE RICH0/04 | Water Sector Trust Fund | 12 months           | 100%                    |   | Yes   |

**Status of Projects completion**

The funding approval for the project was in the month of October 2018 .The project had two components i.e. construction of toilets and a decentralised treatment facility at Kapsoit Market.

As at the end of the financial year 303 No toilets had been constructed and completed and the decentralised treatment facility also complete and operational

|          | Project         | Total project Cost | Total expended to date | Comple<br>tion %<br>to date | Budget     | Actual     | Sources of funds        |
|----------|-----------------|--------------------|------------------------|-----------------------------|------------|------------|-------------------------|
| <b>1</b> | UBSUP Phase III | 18,143,016         | 15,059,381.10          | 100%                        | 17,874,893 | 17,874,893 | Water Sector Trust Fund |