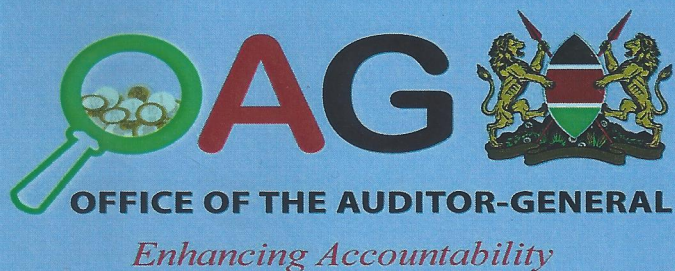


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**KERICHO WATER AND SANITATION
COMPANY LIMITED**

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

KERICHO WATER AND SANITATION COMPANY LIMITED



“Maji safi Kila Wakati”

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022

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

Kericho Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

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I. KEY ENTITY INFORMATION

Background information

The Kenyan Companies Act established Kericho Water and Sanitation Company Limited (KEWASCO Ltd). It was incorporated on 15th October 1997. At cabinet level, the Cabinet Secretary represents KEWASCO Ltd 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 1st October 2020
2. Hon Geoffrey Ruto - Member - Appointed on 29th October 2017
3. CPA Francis Kipkoech Langat - Member - Appointed on 1st October 2020
4. Hon.CPA Dr. Patrick Mutai - Member - Appointed in 19th December 2016 to 9th February 2022
5. Mr Apollo K. Cheruiyot -Member - Appointed on 10th February 2022
6. Mrs Suzan Cherotich Rero - Member - Appointed on 1st October 2020
7. Mr. Kigen Ronald - Member - Appointed on 1st October 2020
8. Mrs Charlody Chepkorir Member - Appointed in 6th September 2019
9. Mr Julius Tanui Member - Appointed in 6th September 2019
10. Mr Simon Kipngetich Serem Member - Appointed in 6th September 2019
11. Mr Kibii Chepkwony Siele Member -Appointed on 1st July 2020

Corporate Secretary

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

Registered Office

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

Corporate Headquarters

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

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Corporate Contacts

Telephone: (254) 2020602

E-mail: info@kewasco.co.ke

Website: www.kewasco.co.ke

Corporate Bankers

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

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

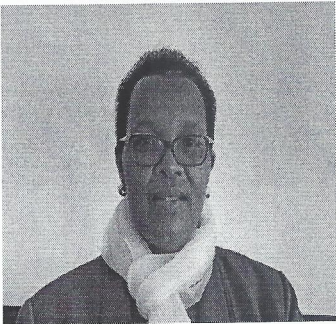



Principal Legal Advisers

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



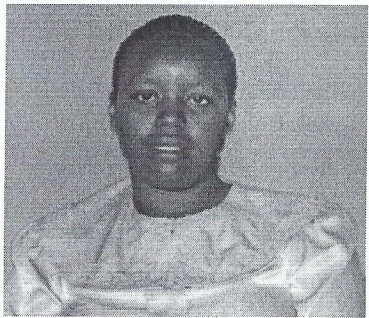
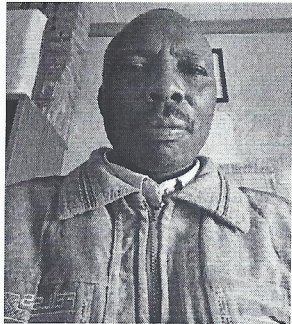
Kericho Water and Sanitation Company Limited

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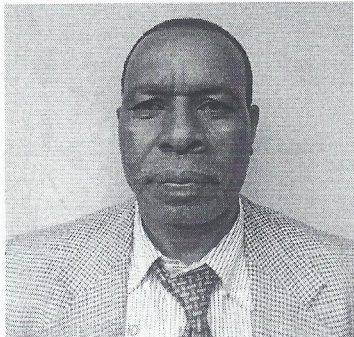
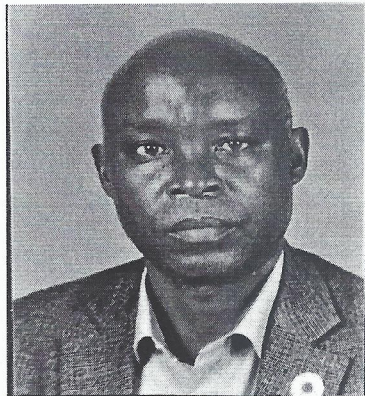

II. THE BOARD OF DIRECTORS

<p>1. Mrs Roselyn Langat- Ngeny</p> 	<p>Mrs. Roselyn Langat- Ngeny is the board chair. She joined the Board of Directors on 1st July 2020 representing the business and manufacturing community. She sits as the Chair of the Board of Directors. She holds Masters of Arts degree in Gender, Women and Development Studies. She is a 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 joined the Board of Directors on 29th 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. Mr Ruto is a member of the Technical Committee of the board.</p>
<p>3. Hon.CPA Dr. Patrick Mutai</p> 	<p>Hon. CPA Dr. Patrick Mutai 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. He sits in the Finance and Administration Committee of the Board His appointment to the Board ended in 9th February 2022.</p>
<p>4. CPA Francis Kipkoech Langat</p> 	<p>Mr Langat, an accountant by profession joined the board of directors on 1st October 2020. He holds a Master's in Business Administration –finance option and a member of ICPAK. Mr Langat Chairs the Finance and Administration Committee of the Board. He has over 10 years' experience in finance and auditing in the public sector.</p>


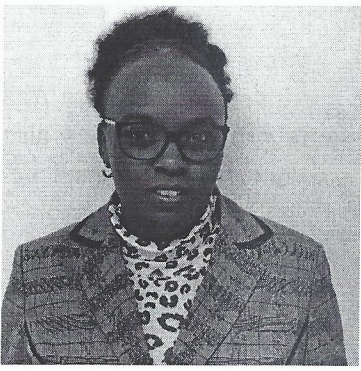
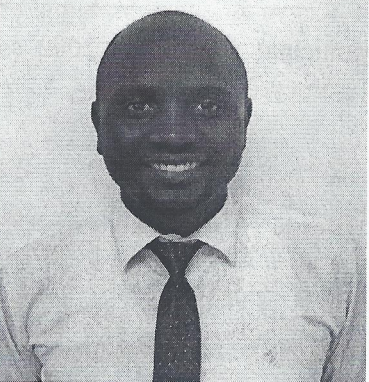
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<p>5. Eng Kigen Ronald</p> 	<p>Mr Kigen, an Agricultural Engineer by profession. He joined the board of Directors on 1st October 2020 as a director representing Rural Customers. He serves as the chair of the Technical Services committee of the Board.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

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

III. MANAGEMENT TEAM

<p>1. Eng. Kibii Chepkwony Siele</p> 	<p>Eng. Kibii is the Managing Director and Secretary to the Board. He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University). Prior to his appointment as an MD, he served as Regional Manager for KEWASCO rural.</p> <p>His work experiences spans from being a part time lecturer at Egerton University, a research assistant on climate change and a lead researcher on renewable energy with Africa Centre of Technology Studies (ACTS) and East Africa Regional Climate Innovation Network Egerton chapter (EARCIN).In addition, he has wide experience in water management matters during his tenure as a sub-county water engineer and later as head of monitoring and evaluation at the department of water services Bomet County. Furtherance, as a technical services manager at Tililbei Water and Sanitation Company where at some point as acting MD</p> <p>He has over 10 year work experience in the water sector.</p>
<p>2. CPA Philis Chelangat</p> 	<p>CPA. Philis Chelangat joined KEWASCO as Commercial and Finance Manager on 2nd October 2017. She holds MBA Finance Option (KU), Bachelors in Business Management accounting option (Moi) and a Diploma in Business Management (KIM). CPA-K and a member of ICPAK. Prior to her appointment, she worked as an Accountant at the Salvation Army Territorial Headquarters then as an Internal Audit Manager, Commercial and Finance Manager at Tililbei Water and Sanitation Company and She possesses over 10 years' experience in financial management and 2 years in internal auditing.</p>
<p>3. Eng. Hillary Ngenoh</p> 	<p>Mr. Hillary Ng'enoh is a registered graduate engineer with EBK and IEK. He joined KEWASCO on 1st September 2017 as Technical Services Manager. He is a holder of MSc. degree in Water and Environmental Engineering (University of Surrey U.K) and a BSc. (Hons) degree in Civil Engineering (JKUAT). He previously worked with County Government of Kiambu as Assistant Resident engineer for Ndumberi-Githunguri road, Questworks Company Limited as graduate structural engineer, CESP Kenya Ltd as Water and wastewater 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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4. Mr Rasto Chepkwony



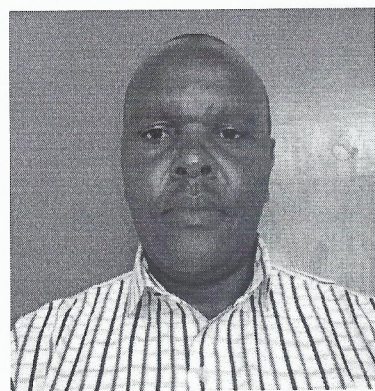
Mr. Chepkwony joined KEWASCO on 31st November 2014 as the Manager responsible for Information and Communication Technology. He is also acting as the Regional Manager in charge of the Rural Cost center. He holds a Bachelor of Science degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology and Masters in Distributed Computing Technology from University of Nairobi. In addition, CISA Certified.

5. CPA. Mercy Cherotich



CPA. Cherotich joined KEWASCO on 1st August 2014 as Internal Audit Manager. She holds a Master in Business Administration-Finance, Bachelor of Arts (Economics and Sociology) and a Certified Public Accountant of Kenya (CPA-K). Mercy has over 10years' experience as internal Audit manager and previously worked with Aga Khan University Hospital and Internal Audit Officer. She has also worked as an accounts assistant and audit assistant at Nairobi Hospital.

6. Mr. Patrick Korir



Patrick Korir was appointed Procurement Manager on 1st September 2015. He holds Bachelor's Degree in Purchasing and Supplies Management from European Business School, Cambridge, England and Masters in Business Management (Strategic Management 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

7. Mrs Clara Rono



Clara Rono was appointed as the Human Resources and Administration Manager on 1st March 2021. She holds a Master in Business Administration-Human Resources Management and a Bachelor of Business Administration

IV. CHAIRMAN'S STATEMENT

It gives me great pleasure to present our annual financial report for 2021/2022, this reports shows the tremendous achievement the company has achieved during the peak of COVID-19 Pandemic and its associated impact on the socio-economic fabric of every institution. Kericho Water and Sanitation Company (KEWASCO) being a utility in the forefront in the fight against the pandemic also suffered from the impact of the pandemic; however, our resilience has seen the company still perform above expectations within the difficult environment.

The year gone by was not a rosy bed for our utility! In fact, it was a challenging year in the water sector in its contemporary history; In particular, a number of economic sectors faced with layoffs, pay cuts and reduced disposable incomes escalated the purchasing power of consumers. Nonetheless; within the given circumstances KEWASCO's performance within the year commendable, to say the least.

Our company has grown on all fronts, financially and operationally, which is a sign of encouragement. This performance is attributed to the diligent efforts of our management team who have steered the clustered entity into the right trajectory.

It is equally imperative to note that the rural cost centre of KEWASCO is still largely dependent on subsidies from the County Government of Kericho to meet cost of bulk water, electricity and salary harmonisation.

The company has an ordinary share capital of Kshs 8, 100,000; Kshs 8,000,000 for urban and Kshs 100,000 for rural cost centres. This ordinary share capital is still outstanding from the shareholder, consequently, becoming a recurring audit issue by the auditor general.

There are other inherent challenges faced by the company; bulk water supply from Bomet is often disconnected due to delay in payment by the County Government of Kericho. The often disconnections significantly affects our service delivery to the residents of Bureti sub county. Despite this historical challenge, I am pleased to note that the shareholder is in talks for a possible funding for an alternative water supply for Bureti.

The other major challenge is high Non-Revenue Water (NRW) still experienced, currently at oscillating at an average range of 47 to 51%. Our major contributor of high NRW is physical losses through invisible leakages; this is due to old water supply network, illegal connections and roadworks in the recent past.

KEWASCO management and the board has worked to develop a robust road map to address this high NRW, the interventions include but not limited to surveillance of our pipeline and improve on response time to leakages and bursts among others. The Board has also approved NRW Policy, which act as a company guideline for interventions on NRW reduction in both rural and urban cost centers.

Our strategic Plan 2017-2022, has been revised to consider the dynamics of the current environment. The new strategic plan takes into considerations the aspirations and the goal of the company that is geared towards the vision 2030 and sustainable development goal number 6 on water and sanitation.

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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.

With my vast experience and having been a board member for six years, three of which as a chair of audit committee and three of those as Chairman, KEWASCO has seen tremendous improvement despite the odds this is also captured in the impact reports.

KEWASCO endeavours to live by its core values of Transparency, Integrity, Professionalism, Inovativeness and customer focus which drives us to acheiving our vision ***'To be a leading and self-sustaining water and sanitation service provider in Kenya'***.

Thank You,



Roselyn C. Langat Ngeny
Board Chairman

V. REPORT OF THE MANAGING DIRECTOR

It is my great pleasure and honour to present Kericho Water and Sanitation Company (KEWASCO) financial statement for the year ended 30th June 2022. It is my third annual report as a Managing Director of KEWASCO. My experience at the helm of such an important institution which offers essential service and commodity; it has become clearer that water provision is an attractive sector with many challenges and opportunities especially during the.

KEWASCO is a clustered company which is managed as two cost Centre's namely; Rural and urban cost centres. Each of the cost centre striving to meet its operation and maintenance cost, though rural cost center relies heavily on subsidies from the county Government of Kericho for the payment of bulk water from Bomet, Electricity bills and Salary harmonization. It is worth mentioning that after clustering KEWASCO has experienced tremendous investment from both the shareholder and other partners including the Germany Bank KfW and Water Fund among others. These investments have resulted to improve in quantity and quality of our services including sanitation. The improvement has equally been shown in the impact annual reports from the regulator

Furthermore, our customer satisfaction and perception on our services has gone a positive notch higher, despite all this magnanimous improvement, the company is still faced with challenges of aging work force and high water losses. Cognisant of inherent shortfalls, my endeavour has set out three areas of attention namely: Non-revenue water, Personnel expenditure as a percentage of O&M and Water coverage these priority-focused themes will turn around and navigate us to attaining commercial viability.

These three thematic areas requires substantive investment; NRW tackling requires an executable road map, in which we have developed as a company, in this regard, we are seeking partners to invest in addressing this challenge. The challenge on personnel expenditure as percentage of O&M remains a hard tackle though with the completion of Duka Moja Project this high percentage will come down. For the case of low water coverage a number of projects on water expansion are on course, the completion of water sector development program project will see water coverage in urban cost centre improved to 85% from the current 56%.

Our revised strategic plan has a number of areas that have been emphasized, these are but not limited to the following: infrastructural improvement, increased water coverage, increased collection efficiency, prompt response 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 licensed area of Kericho County. KEWASCO's joint mandated area of coverage is over 644 km² while the area currently supplied with water is estimated to be 291 km². The current population being served is over 157,174 persons.

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1. STAFF ESTABLISHMENT

Our current staff establishment stands at 179(128 Male and 51 Female). A huge portion of our workforce is above 45 years old, indicating an aging workforce. The company has over time tried to meet a third gender rule. In trying to remedy the challenges associated with the aging workforce, 46 members have been contracted to support the company.

2. WATER DISTRIBUTION AND MAINTENANCE

Bulk water Supply

During the 2021/2022 Financial Year, Bulk water supply from Bomet has had a myriad of challenges of disconnections due to non-payments and low flows which has consequently resulted to low flows and low billings. Low billings have a direct impact on revenue collection that results to delay in payments of salaries.

The formation of a joint interim committee to oversee the challenges of bulk water supply is yet to bear significant fruits as each party has an obligation of infrastructure improvement which requires a budget of over Kenya shillings sixty million yet to be availed.

Bulk water supply challenges have affected our rural cost Centre ability to meet its minimum operations and to a large extend salary payments for the members of staff at the said centre.

3. NON REVENUE WATER MANAGEMENT

The Average Non-Revenue Water (NRW) for the Company was high oscillating between 46-50% during the financial year. High NRW affects commercial viability any company as it reduces water available for sale, KEWASCO has identified this as area that requires intervention especially with the support of the stakeholders, and we have a robust roadmap to mitigate this problem in the near future. Our NRW reduction Plan that has been developed jointly with Accompanying Measures Consultant, we intend to execute this plan that will turn around the company.

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 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

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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 20th 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 (QSQF) interventions and Kshs 24,109,279 for the variable grant for the period. The money was utilised prudently.

- ✦ **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 21st 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 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.

Projects	Major Scope	Progress
Name: Water Sector Development Program (WSDP-LVS) (Kericho, Kisii, Nyamira, Litein); Long term expansion works: New Kimugu Treatment Works Objective: Ensure sufficient, hygienic,	Construction of: - Intake Works on Kimugu River. 7.7Km Raw water Gravity Main. New Water Treatment	Overall Progress of 86% as of end of June 2022. The project is expected to be completed Mid December 2022.

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economically viable and affordable water and sanitation services to the residents of Kericho	Works (13,000M ³).	
Name of the Financier: German Development Bank (Kfw)	2.8Km Treated Water Gravity Main.	
Implementing Agency: LVSWWDA	4.6Km pumping water main to timbilil tank	
Commencement Date: March 2014	(1,000M ³).	
Expected date of completion: December 2022	50Km Distribution main.	
Consultant: CES and Mangat I.B Patel		
Contractor: Nanchang Foreign Engineering Company & Jiangxi Jingtai Water Conservancy and Electrical Power Consumption.		

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:

- 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 90Nos. 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 3No. 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

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Annual Report and Financial Statements for the year ended June 30, 2022

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.
- 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

The company performance is expected to improve tremendously moving forward as the environment is now favourable. The two year licence by WASREB and the anticipated tariff will ensure commercial sustainability of the institution. Water sector development program project is equally coming on board to address the challenges of low water volumes during dry periods.


Eng. Kibii Chepkwony Siele
Managing Director

Kericho Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022
VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2021/2022

KEWASCO has 8 themes that form the core focus within the current Strategic Plan for the next 5 years, these are:

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

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

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

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

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

Kericho Water and Sanitation Company Limited
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The Company achieved some of its performance targets set for the FY 2021-2022 period for its strategic perspectives, as indicated in Table 2.

Table 2: Perspective Areas and Strategic Objectives.

Strategic Perspective	Objective	Key Performance Indicators	Activities	Achievements
Financial Perspective	Improve water coverage from 55 % in 64% for urban and 25% to 35% for rural cost centre.	Water Coverage	Construction of new treatment plants, timely payments of bulk water and electricity bills	Construction of 13,000M ³ plant for Urban.
Pillar/ theme/ issue 1:	Increase sewerage sanitation access from 17% to 40%.	Sewerage Coverage	Construction of at least 5 DTFs, Expansion of Sewer network and connectivity	Construction of Kapsoit DTF
	To Increase Billing and revenues from Kshs.17 million per month to Kshs.21 million per month for urban and Kshs 2.6 million to 4 million for rural.	Billing (Kshs)	Rationing program, last mile connectivity, restoration of water supply, timely payment of bills	Restoration of Kipsolu-Kaptebeswet water supply infrastructure
	Increase collection efficiency	Collection Efficiency	Part payment agreements, mass disconnections, mass SMSs	Rapid Result Initiatives to collect revenues conducted
	To increase O % M cost coverage to 100%	O % M cost coverage	Increase billing	Construction of 13,000M ³ plant for Urban.
	Reduce Non-Revenue Water (NRW) to 45%	NRW	Meter servicing, Relocation and replacement. Pipeline replacement with HDPE, Smart metering.	145 Meters were relocated and 250 replaced.

Kericho Water and Sanitation Company Limited

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	Increase the number of active connections	Metering Ratio	Encourage part payment to discourage disconnections, enhance last mile connections	The number of active connections have increased by about 800 over the last financial year.
Customer perspective	Increase Hours of Supply	Hours of supply	Adhere to rationing programs, timely payments of electricity and bulk water bills, restoration of disconnected areas	Construction of 13,000M ³ plant for Urban. Electricity and bulk water bills paid.
	Improve Drinking water Quality	Drinking water quality	Adhere to sampling programs, carry out disinfection	Sampling program developed. DWQ increased from 90% to 93%.
	Timely customer complaint resolution	Customer satisfaction	System reporting and resolution to enhance follow up.	Customer satisfaction at 68%.
Internal (process) perspective	Improve regulatory compliance	Governance	Statutory deductions, licences and permits	Obtained required licences and permits from WASREB, WRA, and NEMA
	Integrate ICT in processes	Billing	Use job cards, cashless system	Use of GIS, and billing system, MPESA.
	Develop policy documents	Corporate Governance	Develop Disaster management plan, Strategic Plan, Business Plan, Metering Policy etc.	Strategic Plan, Metering policy, HR manual.
Learning and Growth Perspective	Develop and implement communication policy	Staff productivity	Formulate communication committee	Commutation committee formed
	Establish Performance management plan	Staff productivity	Carry out performance appraisal	Performance appraisals done.
	Continuous staff training	Staff productivity	Develop training plan	Staff trained through project accompanying measures

Each strategic perspective summarized from the strategic themes has objectives and KPIs and are they are tied into implementing actors who are mostly the management team. The performance targets for each member of the management are drawn from the strategic perspectives as per the implementing actors as shown in Table 3. 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.

Table 3: Example showing how strategic perspectives are linked to performance management system.

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

For the financial year 2021-2022 the Company had focused on three key areas and set some targets to achieve and a Performance Improvement Plan focussing on the Urban Cost Centre was developed. The Plan intended to focus on these Key Performance Indicators (KPIs):

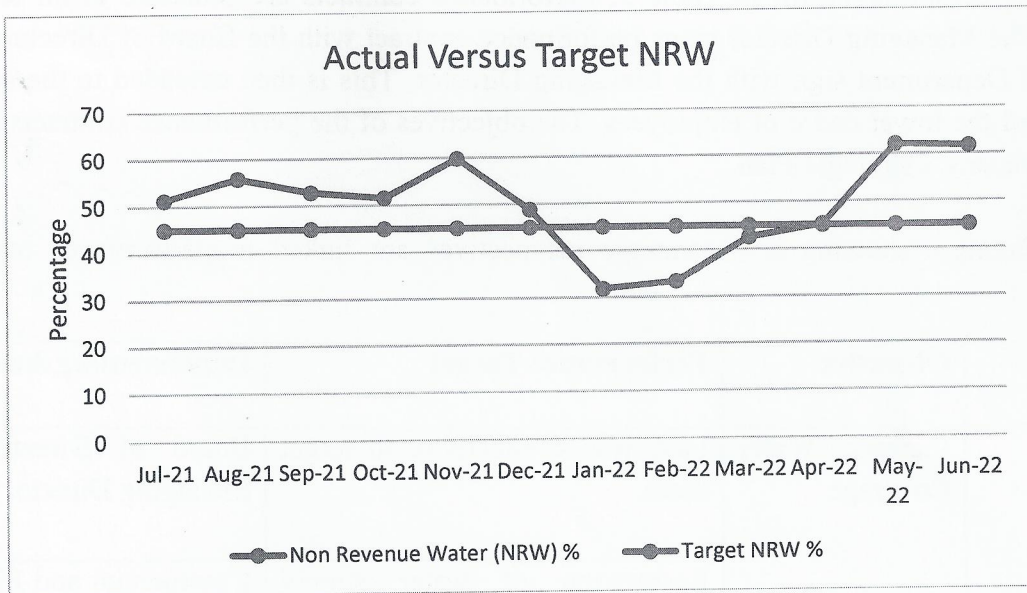
- Non-Revenue Water (NRW).
- Water Coverage.
- Personnel expenditure as a percentage of Operation and Maintenance Cost.

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

Kericho Water and Sanitation Company Limited

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Figure 1: NRW Trend for the 2021-2022 Financial Year.



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 three water Companies in Kenya. The Characteristics of KEWASCO Board is explained by the following sub-headings:

No of Board Meetings and Attendance

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

Succession plan

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

Board Charter

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

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

Process of Appointment and Removal of Directors

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

Roles and functions of Board

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

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

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

Induction and Training

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

Board Member performance

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

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

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

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

Conflict of Interest

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

Board Remuneration

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

Kericho Water and Sanitation Company Limited

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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A:

The company's operational and financial performance.

The volume of water produced for the financial year 2021/2022 dropped to 3.6 million cubic meters from 4.08 million cubic metres in the previous year. This drop was attributed to long disconnection periods of bulk water supply from Bomet County as well as prolonged drought period. This resulted in the Company unable to achieve the target of the year (5.6 million cubic metres).

The average Non Revenue Water (NRW) remained at 52%, still off the target of 45% for the next five years. Huge investment is needed to fund the activities proposed in the Company's NRW Reduction Plan.

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

In terms of Revenues, the Company had projected a billing of Kshs. 234.4 million for the year. However due to the effects of COVID 19 Pandemic the actual billing was Kshs. 179.9 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 has received a two-year licence and is expected to receive Tariff soon from the Water Services Regulatory Board.

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.

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- Proposed restoration of water supply infrastructure along Kaptebeswet - Kipsolu road.

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

- UBSUP 8th Call- Which will be funded by Water Sector Trust Fund (WSTF). This shall include construction of a Public Sanitation Facility in Kapkatet and a Pipeline Extension from Kapsoit to Sosiot Centre.

SECTION D:

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

Operational Risk

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

Financial Risk

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

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

SECTION E

Material Arrears in Statutory/Financial obligations

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

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

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.

Kericho Water and Sanitation Company Limited

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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:

i. Sustainability strategy and profile -

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

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

ii. Environmental performance

Though the Company does not have its own environmental policy, Water Resources Authority (WRA) and National Environmental Management Authority (NEMA) are regulating it. These two organizations issue annual licences only after the Company meets certain requirements. 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 that 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.

iii. Employee welfare

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

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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).

iv. Market place practices-

The Company practices best market practices through the following efforts:

a) *Responsible competition practice.*

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

b) *Responsible Supply chain and supplier relations-*

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

c) *Responsible marketing and advertisement-*

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

d) *Product stewardship-*

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

Kericho Water and Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2022

v. Corporate Social Responsibility/Community Engagements-

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

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

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

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1-6. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not declared dividends for the year ended June 30, 2022 due to the deficit the company has made.

iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2022.

By Order of the Board

Name..... K-c Siele

Signature..... [Signature]

Date..... 18/05/2023

Corporate Secretary/Secretary to the Board

Kericho Water and Sanitation Company Limited

Annual Report and Financial Statements for the year ended June 30, 2022

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the company'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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors responsibility for the company'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 2015.

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

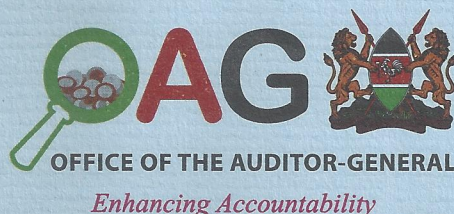
Kewasco's financial statements were approved by the Board on 26th September 2022 and signed on its behalf by:

Signature 
Name: Roselyn C. L. Ngeny
Chairperson of the Board

Signature 
Name: Eng Kibii Chepkwony Siele
Managing Director

REPUBLIC OF KENYA

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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, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 40, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of the 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, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Accounting 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. Undisclosed Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2022 revealed that the Company recorded a profit before tax of Kshs.6,802,006 which reduced the retained earnings balance from negative Kshs.117,242,257 to negative Kshs.Kshs.110,440,251. Further, the current liabilities balance of Kshs.268,161,623 exceeded the current assets balance of Kshs.236,602,020 resulting to a negative working capital of Kshs.31,559,603. The Company therefore, technically insolvent and was unable to meet its financial obligations as and when they fall due.

In the circumstances, this is an indicator of an acute financial challenge facing the Company which raises significant doubt on its ability to continue to operate as a going concern without support from the creditors and the County Government.

2. Long Outstanding Debtors

The statement of financial position and as disclosed in Note 19(a) to the financial statements reflects Kshs.217,008,449 relating to trade and other receivables. An ageing analysis reflected in Note 19(b) indicates that out of Kshs.217,008,449, an amount of Kshs.203,255,899 had remained uncollected for a long period and no provision for bad debts has been reported in the financial statements. The Management did not provide any evidence of any attempts made towards recovery of the debts.

In the circumstances, the accuracy and recoverability of the long outstanding debts amounting to Kshs.203,255,899 is doubtful.

3. Unsupported and Doubtful Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.217,008,449 which, as disclosed in Note 19 to the financial statements includes VAT recoverable and other receivables balances of Kshs.8,782,552 and Kshs.11,940,652 respectively. However, as reported in the prior year audit report, the Kshs.8,782,552 was not supported with any documentation from Kenya Revenue Authority (KRA) and Kshs.8,100,000 out of the reported Kshs.11,940,652 relates to purchase of share capital by the County Government of Kericho which had not been paid

for and has not been supported by share certificate and an undertaking from the County Government to pay the amount.

In the circumstances, the accuracy and completeness and recoverability of the reported VAT recoverable and other receivables balance of Kshs.16,882,552 could not be confirmed.

4. Bank and Cash balance

4.1 Overstatement of Customer Deposits Bank Accounts

The statement of financial position and as disclosed in Note 28 to the financial statements reflects customer deposits balance of Kshs.28,560,589. Analysis of the three bank statements where customers make meter deposits revealed withdrawals amounting to Kshs.20,808,877 whose purpose was not explained as withdrawals should only be done at the request of the customer who wishes to withdraw his or her deposit. As at year end, the three bank accounts reflected a total balance of Kshs.7,751,712 as shown below instead of Kshs.28,560,589 as reflected in Note 28 to the financial statements.

Bank	Amount (Kshs.)
Co-operative Bank	5,197,374
Kenya Commercial Bank	1,275,837
Equity Bank	1,278,501
Total	7,751,712

In the circumstances, regularity of the customer deposits amounting to Kshs.20,808,877 withdrawn from the three accounts, and the completeness of the recorded customers deposits could not be confirmed.

4.2 Frozen Bank Accounts

The statement of financial position and as disclosed in Note 20 to the financial statements. reflects a balance of Kshs.13,501,900 in respect to bank and cash balances. However, bank balances amounting to Kshs.5,669,743 in three (3) Kenya Commercial Bank accounts were frozen due to litigation. The operations of the Company were hindered during the year under review as the amount was not available to the Company.

In addition, it is not clear, and Management has not indicated when and how the case will be determined.

In the circumstances, the ownership and recoverability of the indicated bank balances amounting to Kshs.5,669,743 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 of the current year. 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.402,779,269 and Kshs.257,687,818 respectively resulting to an under-funding of Kshs.145,091,451 or 36% of the budget. Similarly, the company expended Kshs.313,591,293 against an approved budget of Kshs.381,898,002 resulting to an under-expenditure of Kshs.68,306,709 or 18% of the budget.

In the circumstances, the underfunding and expenditure 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 the auditor recommendations section of the financial statements, the prior year audit issues remained unresolved. Management has not provided satisfactory reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water Management

Review of water production records revealed that the Company produced a total of 3,645,781 cubic meters (m³) of water, out of which 1,729,915 m³ was billed to customers for a total of Kshs.122,901,729. The balance of 1,915,866 m³ or approximately 53% of the total volume produced represented non-revenue water which was 28% over the allowable loss of 25% in the guidelines issued by the Water Services Regulatory Board (WASREB).

The significant level of non-revenue water of 1,004,421 m³ at an average billing rate of Kshs.72 per m³ may have resulted in loss of sales estimated at Kshs.72,318,312 which has a negative impact on the Company's profitability.

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

2. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects expenditure of Kshs.163,953,017 on staff costs which represents 63.6% of the total revenue of Kshs.257,687,818. This is contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Governments expenditure on wages and benefits for its public officers to be limited to 35% of the total revenue.

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

3. Non-Compliance with the One-Third of Basic Salary Rule

During the year, it was noted that eleven (11) employees earned a net salary of less than a third (1/3) of their respective basic salaries contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies and Procedures Manual for the Public Service, 2016, which requires that deductions should not exceed a third of the basic pay.

In the circumstances, the Management contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and this may expose the staff to pecuniary embarrassment.

4. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was one hundred and seventy-nine (179) out of which one hundred and seventy-three (173) or 96% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

In the circumstances, Management was in breach of the law

5. Unremitted Retirement Benefits Obligations

The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.13,143,036 on current retirement benefit obligations and a balance of Kshs.71,244,161 on non-current retirement benefit obligations. During the audit it was noted that the Company had not remitted employee retirement deductions amounting to Kshs.84,387,167 as detailed below:

Details	Amount (Kshs.)
Provident Fund	61,760,403
National Water and Pipeline Corporation	11,955,943
Lap Fund	10,670,821
Total	84,387,167

No provision for the fines and penalties has been factored in these financial statements. Failure to remit statutory deductions may attract penalties and fines to the Company, which will continue to increase liabilities. Non-remittance of retirement benefit obligation also denies the retirees the due benefit exposing them to unwarranted suffering.

6. Unremitted Statutory Deductions

The statement of financial position reflects trade and other payables balance of Kshs.224,814,598 which, as disclosed in Note 27 to the financial statements includes employee payables of Kshs.55,678,768 which comprises of unremitted Pay As You Earn tax of Kshs.16,997,425, NSSF Kshs.99,854, NHIF Kshs.439,470, salary arrears Kshs.23,122,985 and other deductions amounting to Kshs.15,321,005 relating to Sacco deductions and loan repayments. Management indicated that failure to submit the statutory deductions was occasioned by lack of funds.

Failure to pay statutory deductions is breach of the law and it continues to attract penalties, which continues to increase liabilities to the Company.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Expensing of Imprest Issues

The statement of profit or loss and other comprehensive income as disclosed in Note 10 to the financial statements reflects general and operation expenses amounting to

Kshs.63,586,838 which includes domestic travel expenses amounting to Kshs.4,722,188. The amount represents payments for night out allowances to various Company officers and expensed instead of issuing such officers with imprests which are accounted for after return to duty station.

As a result, internal controls in Management of imprest were weak.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern disclosing, as applicable, matters related to 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.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 June, 2023

Kericho Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

**XIII.STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2022.**

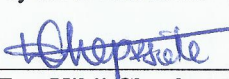
	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	178,468,455	192,864,227
Grants Income	7	76,838,621	37,307,372
Other Income	8	1,035,800	1,391,900
Other gains/(losses)	9	1,344,942	3,569,518
Total Revenue		257,687,818	235,133,017
Expenses			
Staff Costs	10	163,953,017	149,545,113
General and Operations expenses	11	63,322,838	72,059,675
Board Expenses	12	2,911,000	3,391,465
Maintenance Expenses	13	11,619,499	14,038,450
Depreciation and Amortization expenses	14	8,789,206	6,091,525
Finance Costs	15	290,252	156,225
Total Expenses		250,885,811	245,282,453
Profit/(Loss) Before Taxation		6,802,006	(10,149,436)
Profit/(Loss) After Taxation		6,802,006	(10,149,436)
Other Comprehensive Income			
Profit/ (Loss) After Taxation		6,802,006	(10,149,436)
Surplus Or Deficit On Revaluation Of PPE		7,665,670	0
Total Comprehensive Income For The Year		14,467,676	(10,149,436)

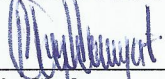
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	71,059,263	52,294,134
Intangible assets	17	1,142,170	1,427,713
Total Non-Current Assets		72,201,434	53,721,847
Current Assets			
Inventories	18	6,091,670	2,817,301
Trade and receivable	19	217,008,449	204,010,769
Bank and cash balances	20	13,501,900	17,647,205
Total Current Assets		236,602,020	224,475,275
TOTAL ASSETS		308,803,454	278,197,122
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	8,100,000	8,100,000
Revaluation reserve	22	7,665,670	
Capital Reserve		57,197,085	39,692,614
Retained earnings	23	(110,440,251)	(117,242,257)
Capital and Reserves		(37,477,496)	(69,449,643)
Non-Current Liabilities			
Retirement Benefits	26	71,244,161	52,263,973
Provisions	25	6,875,168	3,399,444
Total Non-Current Liabilities		78,119,329	55,663,417
Current Liabilities			
Borrowings	24	-	852,693
Provisions	25	1,633,902	2,236,355
Retirement benefit obligations	26	13,143,036	18,980,188
Trade and other payables	27	224,814,598	242,538,722
Customer Deposits	28	28,560,589	27,375,391
Deferred Income	29	9,497	0
Total Current Liabilities		268,161,623	291,983,349
TOTAL EQUITY AND LIABILITIES		308,803,454	278,197,122

The financial statements were approved by the Board on 26th September 2022 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

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

	Ordinary share capital	Revaluation reserve	Capital Reserves	Retained earnings	Total
As at July 1, 2020	8,100,000		39,692,614	(124,100,181)	(76,307,567)
Deferred Liability Write off				17,007,359	17,007,359
Total comprehensive income				(10,149,436)	(10,149,436)
As at July 1, 2021	8,100,000		39,692,614	(117,242,257)	(69,449,643)
Revaluation gain		7,665,670			7,665,670
Profit for the year				6,802,006	6,802,006
Capital/Development grants received during the year			19,435,650		19,435,650
Transfer of depreciation/amortisation from capital fund to retained earnings			(1,931,179)		(1,931,179)
As at June 30, 2022	8,100,000	7,665,670	57,197,085	(110,440,251)	(37,477,496)

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	30	16,319,429	4,014,912
Net cash generated from/(used in) operating activities		16,319,429	4,014,912
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(19,612,040)	(5,609,900)
Purchase of Intangible Asset		-	-
Net cash generated from/(used in) investing activities		(19,612,040)	(5,609,900)
FINANCING ACTIVITIES			
Proceeds from issues of new share capital			
Proceeds from borrowings			
Repayment of borrowings		(852,693)	(710,498)
Net cash generated from/(used in) financing activities		(852,693)	(710,498)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,145,304)	(2,305,485)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20	17,647,205	19,952,692
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	13,501,900	17,647,205

II. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Operating Revenue	234,437,106		234,437,106	178,468,455	55,968,651	76
Grants Income	104,247,576	62,538,589	166,786,165	76,838,621	89,947,544	46
Other Income	1,555,998		1,555,998	2,380,742	824,744	153
Total Revenue	340,240,680	62,538,589	402,779,269	257,687,818	145,091,451	64
Expenses						
Staff Costs	172,084,580		172,084,580	163,824,572	8,131,563	95
General and Operations expenses	117,404,033		117,404,033	63,322,838	54,081,195	54
Board Expenses	4,408,800		4,408,800	2,911,000	1,497,800	66
Maintenance Expenses	16,047,000		16,047,000	11,619,499	4,427,501	72
Depreciation and Amortization			-	8,789,206	-	
Finance Costs	300,000		300,000	290,252	9,748	97
Outstanding Liabilities		42,697,589	42,697,589	42,697,589	-	101
Total Recurrent Expenditure	310,244,413	42,697,589	352,942,002	293,454,955	58,962,749	83
Profit or Loss	29,996,267	19,841,000	49,837,267	-	86,128,702	
Capital Expenditure	9,115,000	19,841,000	28,956,000	19,612,040	9,343,960	68
Total Expenditure	319,359,413	62,538,589	381,898,002	313,066,995	68,306,709	82

Budget notes:

- The changes between the original and final budget resulted in amounts applied under the Conditional Liquidity Support Grant by Water Fund.
- Operating revenue was not achieved due to bulk Water Supply disconnection and power disconnections in the rural cost centre and drought period in the urban cost centre during the financial year
- General operations and maintenance expenses were also not achieved because of disrupted operation due to the disconnections that affected water supply.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

S TO THE FINANCIAL STATEMENTS (Continued)
Application of New and Revised International Financial Reporting Standards (IFRS)
New and amended standards and interpretations in issue effective in the year ended 30 June 2022

	Description	Effective Date
Amendments to IAS 16 Property, Plant and Equipment: Proceeds Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 Fees in the '10 per cent Test for Recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 Taxation in Fair Value Measurements (issued in May 2020 as)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Kericho Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

part of the Annual Improvements to IFRS Standards 2018-2020)	those in other IFRS
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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 2022.

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

	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.	
8- Accounting errors and estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated

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depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

e) Intangible assets

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

indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

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

g) Inventories

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

h) Trade and other receivables

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

i) Taxation

i) Current income tax

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

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

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

j) Deferred tax

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

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

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

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

k) Borrowing costs

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

assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

l) Cash and cash equivalents

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

m) Borrowings

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

n) Trade and other payables

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

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 1995. The scheme is administered by a pension Fund and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

p) Provision for staff leave pay

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

q) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 8th July 2021 Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective

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approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 12th August 2022 and 15th March 2022 on the 2021-2022 budgets following the board of directors' approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII of these financial statements.

r) Service concession arrangements

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

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	130,468,879	146,118,042
Sewerage Services	30,128,322	28,011,464
Billing for other services*	17,871,253	18,734,721
Total	178,468,455	192,864,227

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

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities	-	19,150,580
Recurrent/operational grants from other agencies	43,093,442	1,656,792
Capital grants amortized	1,931,179	-
Donations from County Governments	31,814,000	16,500,000
Total	76,838,621	37,307,372

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

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Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
Water Fund CLSG	43,093,442	9,497	19,435,650	62,538,589	1,656,792
County Government of Kericho	31,814,000	0	0	31,814,000	35,650,580
Total	74,907,442	9,497	19,435,650	94,352,589	37,307,372

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Fine and penalties	439,500	943,000
Rental income	596,300	448,900
Total	1,035,800	1,391,900

9. Other gains/(losses)

	2021-2022	2020-2021
Description	Kshs	Kshs
Decrease in Provision for bad and doubtful debts	1,344,942	3,569,518
Total	1,344,942	3,569,518

10. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	128,083,248	127,171,779
Casual workers Wages	7,042,131	4,529,073
Medical insurance schemes	6,832,649	6,590,230
Employer's contributions to social security schemes	529,480	407,426
Employer's contributions to pension scheme	12,743,542	7,241,961
Internship/Attachment allowance	264,000	
Gratuity provisions	3,926,292	3,399,444
Salary Arrears	3,723,344	
Staff welfare	285,653	
Other allowances	522,678	205,200
Total	163,953,017	149,545,113
The average number of employees during the year	179	181

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11. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	2,260,076	2,223,590
Electricity	6,702,981	7,242,531
Fuel, oil, lubricants, and gases	6,810,710	5,873,679
Bulk water Costs	9,914,980	18,485,585
Office supplies	1,476,648	2,200,898
Uniform and protective clothing	12,720	750,162
Telecommunication	1,461,149	1,819,393
Postage and courier	124,453	224,066
Water and sewerage	0	
Insurance	2,563,943	2,076,719
Rent and Rates	7,000	144,000
Domestic Traveling and subsistence	4,722,188	4,090,080
Foreign travel and accommodation	0	
Staff training and development	882,499	1,312,840
Bank Charges	1,001,833	1,156,425
Security services	7,956,000	7,795,469
Publicity and advertising	331,644	457,656
Audit fees	580,000	600,000
Legal fees	295,800	500
Consultancy fees	450,337	194,000
Licensing and levies	9,488,194	9,884,279
Sports and recreation	93,800	52,390
Stakeholders' expenses	1,022,272	560,268
Donations/CSR	10,000	110,000
Hospitality expenses	2,021,582	1,960,413
Provision for doubtful debts	0	
Training Levy	100,450	115,750
Christmas Awards	2,201,400	1,741,669
Subscriptions	380,200	339,700
Quality Testing	449,980	523,979
WSTF Expenses		123,634
Total	63,322,838	72,059,675

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12. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	480,000	480,000
Sitting allowances	1,233,400	1,387,000
Induction and Training	0	
Travel and accommodation	1,077,100	1,352,900
Other allowances	120,500	171,565
Total Board Expenses	2,911,000	3,391,465

13. Maintenance Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Plant and Equipment	1,094,154	1,152,278
Buildings	95,990	732,942
Infrastructural networks	3,735,725	5,155,976
Grounds	6,810	26,475
Motor vehicles	4,249,707	4,645,221
Software	1,598,329	1,469,324
ICT	385,004	269,794
Furniture	-	
Water Meter	12,000	69,000
Access roads	441,780	517,440
Total Maintenance Expenses	11,619,499	14,038,450

14. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	8,503,663	5,734,597
Intangible assets	285,543	356,928
Total Depreciation and Amortization	8,789,206	6,091,525

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15. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	290,252	156,225
Total	290,252	156,225

Property, Plant and Equipment

2020/2021	Land	Buildings	Heavy duty Tractor	Computer & Related Equipment	Motor Vehicles	Furniture and fittings	Meters	Septic Tank	DTF	Total
Valuation										
At July 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
Depreciation		339,521		669,460			3,836,033	20,001	744,885	5,609,900
At 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
At July 2020	-	930,592	5,420,666	6,622,864	21,188,491	19,435,369	3,029,281	173,754	-	56,801,017
For the year		760,783	10,192	434,195	2,790,151	1,019,032	369,357	104,752	246,135	5,734,597
Net loss										-
Net on disposal										-
At 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
Book Value At June	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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment

2021/2022	Land	Buildings	Heavy duty Tractor	Computer & Related Equipment	Motor Vehicles	Furniture and fittings	Meters	Septic Tank	DTF	Water /Sewer Pipeline	Total
COST OR VALUATION											
As at 1 July 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
Additions		98,850		77,540	6,423,500		7,756,100			5,256,050	19,612,040
Transfers			1,203,758		8,957,964						10,161,722
Revaluation			(5,471,624)		(18,349,096)						23,820,720
As at 30 th June 2022	800,000	8,637,274	1,203,758	8,147,719	29,381,463	27,587,626	25,559,647	4,363,853	9,845,399	5,256,050	120,782,790
DEPRECIATION											
At July 1, 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
Acc depreciation on Revaluation			(5,430,857)		(15,884,893)						(21,315,750)
Charge for the year		694,590	240,752	327,198	5,321,928	891,653	554,025	102,134	239,982	131,401	8,503,663
Impairment loss											-
As at 30 th June 2022	-	2,385,965	240,752	7,384,257	13,415,678	21,346,054	3,952,663	380,640	486,117	131,401	49,723,527
NET BOOK VALUE											
At June 30, 2022	800,000	6,251,309	963,006	763,463	15,965,785	6,241,572	21,606,984	3,983,213	9,359,283	5,124,649	71,059,263

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Motor Vehicles and motor cycles were valued by Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works independent valuers. These amounts were adopted on 1st April 2022.

17. Intangible Assets

COST	Computer Software
As at 1st July 2021	9,199,172
Additions	
Disposals	
At June 30 2022	9,199,172
AMORTISATION	
As at 1st July 2021	7,771,459
Charge for the year	285,543
Disposals	
Impairment loss	
At June 30,2022	8,057,002
NET BOOK VALUE	
At June 30, 2022	1,142,170

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

18. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
Cleaning Materials	103,568	13,445
Uniforms and protective Clothing	153,281	15,625
Computer Consumables	474,001	134,533
Pipes and Fittings	3,315,948	1,350,543
Stationery and general stores	249,723	211,131
Tools	99,957	19,812
Water Chemicals	1,156,993	1,072,212
Water Meters	538,200	-
Total	6,091,670	2,817,301

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19. a). Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (19b))	203,290,201	195,043,727
Deposits and prepayments		
VAT recoverable	8,782,552	8,782,552
Staff receivables	228,679	663,067
Other receivables	11,940,652	8,100,000
Gross trade and other receivables	224,242,084	212,589,346
Provision for bad and doubtful receivable	7,233,635	8,578,577
Net trade and other receivables	217,008,449	204,010,769

19 (b) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	224,242,084	212,589,346
Provision for doubtful receivables	7,233,635	8,578,577
Net trade receivables	217,008,449	204,010,769
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	8,967,648	10,496,932
Between 30 and 60 days	6,053,161	6,046,584
Between 61 and 90 days	2,830,418	6,037,526
Between 91 and 120 days	3,134,958	4,306,852
Over 120 days	203,255,899	185,701,452
Total	224,242,084	212,589,346

20. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	13,339,774	17,027,314
Mobile money account	162,126	619,890
	13,501,900	17,647,204

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Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	KShs	KShs
a) Current account			
Co-operative Bank of Kenya - Revenue Account	01136053726801	106,333	960,832
Co-operative Bank of Kenya - Deposit Account	01136053726800	5,204,374	6,332,830
Co-operative Bank of Kenya - GIZ funding Account	01136053726803	9,210	13,530
Family Bank Limited - Exhauster Account	220000004636	221,602	1,118,693
Kenya Commercial Bank Limited - Refuse Account	01103618563	610,156	610,156
KCB - KCB Deposit	01104926946	1,275,838	1,275,838
KCB Revenue	01104927179	3,297,418	3,297,418
KCB Expenditure	01108396682	1,096,487	1,096,487
Post Bank Collection A/c	74413011171	116,740	273,486
Posta Collection A/c	KCHO-001	-	5,935
Equity Bank - Holding A/c	0280299023589	89,799	867,080
Equity Bank-Revenue	0530199886550	14,150	10,880
Equity Bank-Deposit	0530199886579	1,278,501	1,154,281
Equity Bank-Expenditure	0530299886559	9,668	9,868
Equity Bank-CLSG	0280280626407	9,497	
Sub- total		13,339,774	17,027,314
b) Others(specify)			
MPESA Collection-Urban	803600	46,413	412,096
MPESA A/c charges	803600	- 307	- 2,541
Mpesa MMF	803600	-	582
MPESA Collection Kericho Rural	830590	116,020	209,753
Sub- total		162,126	619,890
Grand total		13,501,900	17,647,205

21. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
405,000ordinary shares of Kshs20 par value each	8,100,000	8,100,000
Issued and fully paid:		
All shares were issued and not paid		

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22. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

	2021-2022
Description	Kshs
Motor Vehicles	6,493,761
Tractor	1,171,909
	7,665,670

23. Retained Earnings

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

	2021-2022	2020-2021
	KShs	KShs
Retained earnings	(110,440,251)	(117,242,257)

24. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
Domestic Borrowings		
Balance at beginning of the year	852,693	1,563,191
Domestic borrowings during the year	9,055,350	8,492,650
Repayments during the year	(9,908,043)	(9,203,148)
Balance at end of the year	-	852,693

The analyses of both external and domestic borrowings are as follows:

	2021-2022	2020-2021
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from Family Bank	9,055,350	8,492,650
Total balance at end of the year	9,055,350	8,492,650

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Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	9,055,350	8,492,650
Total	9,055,350	8,492,650

25. Provisions

Description	Leave Provision	Gratuity provisions	Total
	KShs	KShs	KShs
Balance at the beginning of the year	1,804,128	5,635,799	7,439,927
Additional Provisions	2,948,876	3,926,292	6,875,168
Provision utilised	(2,948,876)	(2,857,149)	(5,806,025)
Balance at the end of the year	1,804,128	6,704,942	8,509,070

Provisions details

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Portion of Provisions	6,875,168	3,399,444
Long-term portion of Provisions	1,633,902	2,236,355
Total	8,509,070	5,635,799

26. Retirement Benefit Obligations

Description	Defined Contribution	2021-2022	2020-2021
	Kshs	Kshs	Kshs
Current benefit obligation	13,143,036	13,143,036	18,980,188
Non-current benefit obligation	71,244,161	71,244,161	52,263,973
Total employee benefits obligation	84,387,197	84,387,197	71,244,161

Retirement benefit Asset/ Liability

The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund, Lapfund and National Water Pension Fund. Employees contribute 7.5% while employers contribute 7.5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are

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27. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	37,938,082	44,271,831
Accrued expenses	569,187	576,683
Revenue received in advance	4,974,870	5,043,072
Retention/ contract monies	296,352	-
Employee payables	5,678,768	50,328,793
Other payables	125,357,339	142,318,345
Total	224,814,598	242,538,722

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

28. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	27,375,391	26,127,932
Add: deposits received during the year	1,215,198	1,274,459
Less: Refunded deposits during the year	(30,000)	(27,000)
Closing balance	28,560,589	27,375,391
Total	28,560,589	27,375,391

29. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
Water Fund	9,497	0
Total deferred income	9,497	0

The deferred income movement is as follows:

	Water Fund	Total
Balance brought forward	0	-
Additions	62,538,589	62,538,589
Transfers to Capital fund	(19,435,650)	(19,435,650)
Transfers to income statement	(43,093,442)	(43,093,442)
Other transfers	-	-
Balance carried forward	9,497	9,497

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30. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	6,802,006	(10,149,436)
Depreciation	8,503,663	5,734,597
Amortisation	285,543	356,928
Operating profit/(loss) before working capital changes	15,591,212	(4,057,909)
(Increase)/decrease in inventories	(3,274,369)	(157,005)
(Increase)/decrease in trade and other receivables	(12,997,680)	(10,596,956)
Increase/(decrease) in capital reserves	17,504,471	
Increase/(decrease) in provisions	2,873,271	
Increase/(decrease) in trade and other payables	(17,724,124)	10,878,076
Increase/(decrease) in retirement benefit obligations	13,143,036	10,466,202
Increase/(decrease) in customer deposits	1,185,198	
Increase/(decrease) in deferred Income	9,497	(2,517,495)
	590,856	8,072,822
Cash generated from/(used in) operations	16,319,429	4,014,913

Other Disclosures

31. Related Party Disclosures

County Government of Kericho

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

Other related parties include:

- The County Department in charge of Water
- County Government of Kericho
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management

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Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	801,585	1,546,978
Total	801,585	1,546,978
b) Purchases from related parties		
Purchase of water from govt service providers	9,914,980	18,485,585
Others (specify)	0	0
Total	9,914,980	18,485,585
b) Grants from the Government		
Grants from National Govt Agencies	43,093,442	1,656,792
Grants from County Government	31,814,000	16,500,000
Donations in kind	0	0
Total	74,907,442	18,156,792
d) Key management compensation		
Directors' emoluments	2,911,000	3,391,465
Compensation to key management	13,495,200	13,065,900
Total	16,406,200	16,457,365

32. Financial Risk Management

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external

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

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

	Total amount
	Kshs
At 30 June 2022	
Trade Receivables	212,301,432
Other Receivables	11,940,652
Bank balances	13,501,900
Total	237,743,984
At 30 June 2021	
Receivables	204,489,346
Other Receivables	8,100,000
Bank balances	17,647,205
Total	230,236,551

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

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

ii) Liquidity risk management

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

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

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	4,352,698	7,559,600	25,875,785	37,788,082
Current portion of borrowings				
Provisions	327,191	981,573	7,200,306	8,509,070
Deferred income			296,352	296,352
Employee benefit obligation	1,831,153	4,580,583	78,369,023	84,780,758
Total	6,511,041	13,121,755	111,741,465	131,374,262
At 30 June 2021 previous year				
Trade payables	3,426,220	7,041,343	33,804,267	44,271,831
Current portion of borrowings			852,693	852,693
Provisions	300,787	902,361	6,236,779	7,439,927
Deferred income	-	-	-	-
Employee benefit obligation	1,835,128	4,840,122	64,568,910	71,244,160
Total	5,562,135	12,783,826	105,462,650	123,808,611

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

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i) Management of interest rate risk

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

ii) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	7,665,670	-
Retained earnings	(110,440,251)	(117,242,257)
Capital reserve	57,197,085	39,692,614
Total funds	(45,577,496)	(77,549,643)
Total borrowings	-	852,693
Less: cash and bank balances	13,501,900	17,647,205
Net debt/(excess cash and cash equivalents)	(59,079,396)	(96,049,541)

33. Incorporation

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

34. Events After the Reporting Period

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

35. Currency

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

XIX. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/KSM/2020-2-04-0035-08-KERI/WCO	<p>1. Trade and Other Receivables</p> <p>The statement of financial position reflects trade and other receivables of Kshs.204,010,769 which in turn includes trade receivables balance of Kshs.195,043,727, which further includes a balance of Kshs.45,490,212 as Bomnet county debtors. However, the supporting documents for Bomnet debtors including the debtors' ledgers and ageing analysis were not provided for audit review. It was also not clear why this balance has remained constant from the previous year as the Company Finance Manual provides for provision for bad and doubtful debts. Also, other receivables of Kshs.8,100,000 relating to ordinary share capital had not been paid and supporting documents to support this amount such as shareholders' register was not provided for audit review.</p> <p>In the circumstance, the accuracy and completeness of trade and other receivables balance of Kshs.204,010,769, could not be confirmed.</p>	<ul style="list-style-type: none"> Bomnet County debtors are the outstanding debtors for customers in Bomnet County during the formation of Bomnet Water Company. Bomnet Water Company took over the service area of former Tililbei Water and Sanitation Company in the year 2013 and at the time of take over the outstanding debtors were Kshs45,490,212. Attached is the debtors list for Kshs45,490,212(Annex I) For the case of Kshs.8,100,000 relating to ordinary share capital it has not been paid by the County Government of Kericho 	Unresolved	30 th June 2023
	<p>2. Material Uncertainty Related to Going Concern</p> <p>The statement of comprehensive income reflects operating loss of Kshs.10,149,436 (2020: loss of Kshs.15,195,788). The loss resulted to accumulated and depleted retained earnings of negative Kshs.117,242,257 as at 30 June, 2021 (2020-negative: Kshs.121,100,180). The current liabilities of Kshs.346,794,073 also exceeded current assets of Kshs.224,475,275 resulting to a negative working capital of Kshs.122,318,798 as at 30 June, 2021 demonstrating that the Company is unable to meet its financial obligations as and when they fall due. This state of affairs is an indicator of an acute financial challenge facing the Company which raises significant doubts on its ability to operate as a going concern.</p> <p>The Company is therefore technically insolvent and its continued existence as a going concern is dependent upon the</p>	<p>During the takeover of Tililbei Water and Sanitation Company in the year 2018, KEWASCO took over the assets and liabilities. As per the takeover conditions given by the Water Services Regulatory Board (WASREB), the County Government of Kericho was to clear all the outstanding liabilities of Tililbei Water amongst other pre take over conditions. This is documented in a subsidy support agreement to Tililbei to offset all the outstanding liabilities, monthly electricity, bulk water and salary harmonization costs was signed by the County Government of Kericho, Kericho Water and Tililbei Water to enable the takeover. However,</p> <ul style="list-style-type: none"> The support towards electricity payment and bulk water supply is being honoured partly but often with delays, the delays this has resulted to disconnection of electricity and bulk water resulting to accrued liabilities in salaries and creditors The support towards the outstanding liabilities 	Unresolved	Continuous

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	financial support from its creditors and the County Government of Kericho.	<p>and monthly costs for salary harmonization still accrues. The county has not honoured payment towards these components</p> <ol style="list-style-type: none"> 1. Currently Kewasco operates on two distinct tariffs i.e. one for defunct Tiliabei and another for the urban part i.e. Kewasco. Both tariffs are not full cost recovery tariffs. To remedy on this challenge; The company has applied for a tariff review and the same has been approved by the Water Services Regulatory Board and will be implemented upon its gazettelement. 2. An ongoing water project under the Water Sector Development Program called New Kimugu Treatment Plant will be completed by December 2022. The project will inject additional 13,000m³ per day. This will lead to increased water sales in future 	Unresolved	Ongoing
	<p>3. Budgetary Control and Performance.</p> <p>The statement of comparative budget and actual amounts reflects budgeted receipts of Kshs.360,628,367 and actual on comparable basis of Kshs.235,133,017 resulting to an underfunding of Kshs.125,495,350 or approximately 34.7 % of the budget. The company therefore achieved approximately 65.3 % budget performance.</p>	<ul style="list-style-type: none"> • During the budgeting process grants from the County Government of Kericho was anticipated to be received. At the time of budgeting a number of proposals had been forwarded through the department of Water, Energy, Environment, Forestry and Natural Resources and consultation held for possible funding. However, the grant received was less than the budgeted at the end of the financial year as the county only funded part of our proposals. • For the case of underfunding from revenue, this resulted from reduced billing due to bulk water disconnection from Bomet and power disconnection due to non – payment of electricity bills by the county. 	Unresolved	Continuous
	<p>4. Non-compliance with Public Finance Management fiscal responsibility principles</p> <p>The statement of receipts and payments for the year ended 30 June 2021 reflects expenditure on staff costs of Kshs.107,076,605 under note 10(a) is approximately 63.2 % of the total revenue of Kshs.169,178,010 which is in excess of the set limit of 35% as per Section 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015 which requires the limit on the county governments expenditure on wages and benefits for its public officers at 35% of the water company's total revenue. Consequently, Kericho water company is in breach of the law and the wage bill may not be sustainable unless adequate measures are put in place to contain the rising wage bill.</p>	<ul style="list-style-type: none"> • The company notes the challenges it is facing in terms of compensation to employees. This has gradually increased due to the continuous CBA Agreements signed. In addition, staff who have retired have not been replaced in an effort to reduce the staff cost. • An increase in revenues is also anticipated with the tariff review which has been approved pending gazettelement. • With the completion of the Duka Moja Water Project will also add to the revenues due to increased water coverage and consistent water supply which will consequently improve on the percentages. 	Unresolved	Continuous

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	<p>5. Staff Earning Net Pay Less than a Third of Basic Salaries</p> <p>During the year ended 30 June, 2021, six (6) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not given explanation for failure to comply with the policy.</p>	The same has been noted and annexed is the current analysis of the same which shows a gradual improvement of the percentages	Resolved	
	<p>6. Failure to Observe One Third Rule and Ethnicity in Staff Composition</p> <p>A review of the staff establishment and documents provided revealed that over 96% of the one hundred and sixty-eight (168) staff employed by the Company are from one dominant community within the County. This is contrary to the provisions of Section 7(1) and (2) the National Cohesion & Integration Act, 2008 which states 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.</p>	Most of the staff working at the Company were inherited from the defunct Municipal Council of Kericho and the former National Water and Pipeline Conservation Corporation. However, moving forward and as we recruit we endeavour to balance the same to reflect the provisions of the National Cohesion and Integration Act 2008.	Unresolved	Continuous
	<p>7. Unremitted Statutory Deductions</p> <p>The statement of receipt and payments for the year ended 30 June 2021 reflects staff costs figure of Kshs.107,076,605. However, Kericho Water and Sanitation Company has arrears of PAYE and retirement contributions that have not been remitted to respective state agencies</p>	<p>The company has been facing financial challenges majorly affected by reduction in billing from the rural cost centre ,COVID -19 and reduced water volumes due to drought.</p> <ul style="list-style-type: none"> The above stated PAYE arrears accrued during 2014/2015 and 2015/2016 financial years. This was as a result of payment of CBA arrears of 2005-2007 which the County Government had committed to pay. However, the Company has also been paying current PAYE. The County Government has been approached to consider settling all the arrears so that the Company remains financially sustainable and free from interests and or penalties. For the Pension arrears to Lapfund and Laptrust , the company has been paying but still struggling in arrears. . The additional water from the Duka moja and the new tariff will in a big away boost the revenue base of the company and we will develop a methodology of settling these statutory deductions. 	Unresolved	Continuous
	<p>8. Non-Revenue Water Management</p> <p>A review of water production records revealed that the Company</p>	NRW remains a challenge in the company and efforts to reduce the same are being implemented gradually. NRW reduction has a huge	Unresolved	Continuous

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	<p>produced 4,089,024 m³ equivalent to Kshs.265,786,560 at Kshs.65 per cubic metre of water out of which 1,969,099 m³ equivalent to Kshs.127,991,435 was billed to customers. The balance of 2,116,875 m³ cubic meters or approximately 52% represents non-revenue water (unaccounted for) equivalent to Kshs.137,795,125 which was 27% over and above the allowable loss of 25% prescribed by Water Services Regulatory Board guidelines which may have resulted in a loss of sales of the same amount. Consequently, the Management was in breach of water regulatory guidelines.</p>	<p>cost implication. Proposal to fund the NRW reduction strategies have been developed and given to the County Government of Kericho and Other development partners. Nonetheless, as a company we have made efforts with our monthly generated revenue to address the same.NRW is caused by physical losses and commercial losses. Physical losses are due to leakages, bursts and overflows through the existing old and dilapidated water supply network while commercial losses are mainly due to metering anomalies and illegal connections.</p> <p>As a company we have done the following to mitigate this:</p> <ol style="list-style-type: none"> 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 in areas with the highest NRW 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 65% but many efforts are still needed to reduce it further. The Company has established a NRW Team composed of 8 staff members whose main role is to carry out NRW reduction. 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 and the NRW is brought down to sector benchmark. 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. Meter replacements have been a continuous exercise that is done by the NRW team on a day to day basis. <p>An effort to reduce NRW is still a priority to improve on revenue. With the guidance of the NRW guideline by the</p>	
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		<p>ministry of water irrigation and sanitation, the company focuses on the following recommended NRW Reduction Measures enumerated herein:</p> <ol style="list-style-type: none"> 1) Determining the accuracy of production meters by testing, calibrating, and replacing if faulty or inaccurate. 2) Eliminating major commercial losses by servicing, testing, and replacing faulty customer meters and identifying illegal uses starting with large and then medium customers. 3) Installation of meters for any unmetered customers and identifying unbilled customers through Customer Identification Survey (CIS). 4) Reduction on response time to repair bursts, surface leaks and overflows. <p>To achieve this, the Company developed its NRW Reduction Plan with all the recommended activities of the five stages, allocating responsibilities, timeframes and budget to each. The Company specifically formulated NRW Committee that meets on monthly basis to measure and review progress of the priority activities planned for each month. So far, meter testing has been done and Customer Identification Survey is ongoing on a Pilot Area. The next planned activity is replacement of identified faulty meters as well as relocation of others for easy accessibility during meter reading. Here, the Company has already procured 400 new meters for replacement and plans to spend about Kshs.2.9 Million before the end of this financial year for procurement of more consumer meters for replacement of faulty and inaccurate ones.</p> <p>However due to financial constraints not much in terms of investment has been achieved. Therefore, the Company has developed proposals based on its NRW reduction Plan for donor support. One of these proposals is at advanced stages of approval and it is a Financial Recovery Plan (FRP) for a conditional funding for upgrade of about 8,000 Class B meters to Class C. These will significantly reduce NRW to about 30% and increase billing.</p>	
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Name :Kibii Chepkwony Siele

Signature 

Managing Director

Date.....18th Oct 2022.....

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Appendix II: Projects Implemented By The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Rehabilitation of Kaptebeswet –Kipsolu Pipeline		Water Fund	6months	100%	Yes	Yes

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e. total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Rehabilitation of Kaptebeswet –Kipsolu Pipeline	5,256,250	5,256,250	100%	5,972,914	5,256,250	Water Fund