

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**KAPSABET NANDI WATER AND
SANITATION COMPANY LIMITED**

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

*Finance
has need to do
a thorough
response on
the queries.
19/6/2023*



Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the Financial Year Ended June 30, 2022

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

Kapsabet Nandi Water and Sanitation Company Ltd

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KEY COMPANY INFORMATION

Background information

The Company was established under the Company Act on 18th December 2006, and issued with a Certificate No. 1333231

The County Government of Nandi is the sole shareholder of the Company and under section 3.34 (5) of the WASREB regulations guidelines appoints its representative to the Board of Directors according to the eligibility criteria.

The Board of Directors are responsible for the general policy and strategic direction of the Company.

The Company is domiciled in Kenya and has schemes in both Kapsabet and Nandi hills towns.

Principal Activities

The principal activity of the Company is water and sanitation provision in Kapsabet and Nandi Hills towns.

Vision

To be the leading water and sanitation provider in the region

Mission

To effectively and efficiently provide quality and affordable water and sanitation services

Core Values

- Integrity
- Transparency and accountability
- Gender parity
- Customer focus
- Team work
- Creativity and innovativeness
- Advocate for environmental protection and conservation

Management

The day-to-day activities of the Company are under the supervision of the corporate management team whose guidance is derived from the Board of Directors.

Board of Directors

The Directors are Independent and therefore not Executive.

The following served during the year:

NO	NAME	TITLE	APPOINTMENT DATE	REPRESENTATION
1	Joseph Ng'etich	Board Chairman	1.11.2021	Professional Rep.
2.	Anthony Kiboii	Board Secretary	1.11.2021	General Manager
3.	CPA Abraham Tarbei	Board Member	1.11.2021	Professional Rep.
4.	Daniel Sang	Board Member	1.11.2021	Nandi County Govt.
5.	Eng. Michael Chebii	Board Member	1.11.2021	Business Community

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Registered Office

Beek Hse, Off Pamela Jelimo Street
Kapsabet, Kenya

Corporate Headquarters

Beek Hse, Off Pamela Jelimo Street
P.O Box 970
Kapsabet, Kenya

Corporate Contacts

Mobile NO: 0716 006464
E-mail: kapsabetwater@yahoo.com
Website: kanawasco.go.ke

Corporate Bankers

Kenya Commercial Bank: Kapsabet Branch
P.O Box 164: 30300
Kapsabet, Kenya

Post Bank: Kapsabet Branch
P.O Box 120: 30300
Kapsabet, Kenya

Independent Auditors

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

Principal Legal Advisers

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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THE BOARD OF DIRECTORS

The Company is managed under the direction of a Board of Directors appointed by the shareholder (Nandi County Government).



The Board of Directors were appointed on 1st November 2022 and are listed below: -

No	Name	Qualification and Experience	Status
1	JOSEPH NG'ETICH Board Chair (DoB 1968) 	Currently pursuing a Doctorate degree in Leadership at USIU-A. Holds an MBA degree in Business Administration (Strategic and Human Resource Management) from USIU-A, and a BBA degree in Business Administration (Accounting Option) from UEAB. Additionally, he holds a Higher Diploma in Human Resource Management from IHRM and a Diploma in Paralegal studies from KSL. A member of the Institute of Human Resource Management, Kenya Institute of Management, and Institute of Directors (K). He has extensive experience in areas of Human Resource Management and Procurement in both Tertiary Institution and Private Security Sectors. A consultant and founder partner of Third Eye Consulting services Ltd.	Appointed 1 st Nov 2021
2	DANIEL SANG Board Member (DoB 1964) 	Currently pursuing a PhD degree in Educational Administration and Policy Studies. Sang holds an MA degree in Education (Planning and Economics of Education) from Maseno University and several courses in school management; Principal - Sochoi High School before joining Tambach Teachers Training College as a Tutor. Chief Officer (CO) - Department of Education and Vocational Training County Government of Nandi 2018 Currently the Chief Officer (CO) - Water and Natural Resources in the Department of Lands, Environment, Climate Change, Water and Natural Resources.	Appointed 1 st Nov 2021
3	CPA ABRAHAM TARBEI Board Member (DoB 1986) 	Holds an MBA degree in Financial Management from Catholic University of Eastern Africa and BBA degree Accounting option from the University of Eastern Africa, Baraton. He is a certified public accountant of Kenya, registered and licensed by the Institute of Public Accountants of Kenya (ICPAK). Trained in Leadership and Governance in Healthcare systems strengthening from Amref Africa as well as Senior Management Course from Kenya School of Government. A consultant and founder of Carab Solutions providing financial management services with extensive experience in finance and administration in the private sector. Sub-committee chair - Finance, HR and ICT Committee	Appointed 1 st Nov 2021

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4	ENG. MICHAEL CHEBII Board Member (DoB 1984) 	Holds a Master's degree in Project Planning and Management from University of Nairobi (UoN), and a BSc degree in Mechatronic Engineering. Graduate member - Engineers Board of Kenya. Director - Kapsabet Comfy Hotel and Caromi Logistics Ltd. Founder member - Rotary Club of Eldoret. Has extensive experience in areas of engineering and project management in the private sector. Sub-committee chair - Technical and Audit committee.	Appointed 1 st Nov 2021
5	ANTHONY KIBOIY Board Secretary (DoB 1968) 	Holds a BA degree from the University of Nairobi and a Diploma in Human Resource from Moi University. Trained in various courses including Senior Management course at the School of Government. Town Clerk - in Kapsabet, Nandi hills and Kipkelion Towns in the former Local Authority. Head of Revenue and Sub-County Administrator - County Government of Nandi Senior Administrator - Ministry of Agriculture County Government of Nandi Currently - General Manager Kapsabet Nandi Water and Sewerage Company (KANAWASCO)	Seconded 2016

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MANAGEMENT TEAM

In line with the Company's governance documents, the Board delegates the day to day operations and management of the Company to the General Manager.

Structurally, the company is headed by the General Manager, who reports to the Board of Directors. The General Manager provides overall leadership and chairs the Management meeting which comprises all heads of departments of the company as follows;

NO	Name	Title	Qualification and Experience
1	 ANTHONY KIBOIY	General Manager	BA degree, Diploma in HRM. Trained in various courses including Senior Management course at the School of Government. Town Clerk - Kapsabet, Nandi hills and Kipkelion Towns. Head of Revenue and Sub-County Administrator - County Government of Nandi Senior Administrator - Ministry of Agriculture CGN Currently - General Manager (KANAWASCO)
2	 GILBERT ROTICH	Technical Manager	Diploma in Water Engineering Senior Inspector and Area Manager in the National Water Conservation & Pipeline Corporation Representative - Augmentation of Kapsabet Water Supply project funded by JICA. Currently, Technical Manager - KANAWASCO
3	 SIMEON BIRGEN	Finance Manager	CPA Part II Revenue Officer - Nandi Hills Town Local Authority. Accountant - Nandi Farmers Sacco Ltd. Currently, Finance Manager/Ag. Commercial Manager - KANAWASCO
4	 RUKIA CHEPTOO	Human Resource Officer	Bachelor of Commerce, Higher Diploma (HRM), Certified CHRP, and certificate in Secretarial studies. Member of the IHRM. Administrative Assistant - Municipal Council of Kapsabet Human Resource Officer - Department of Transport and Infrastructure, Nandi County Government

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CHAIRMAN'S STATEMENT

National overview

In 2021, Kenya's overall score in Ease of Doing Business (EDB) was 73.2% and ranked position 56 out of 190 economies. The Government is taking EDB as a key strategy for attracting investment and improving competitiveness; thus, targets to be among the top 30 worldwide going forward. Specifically, the 2019 EDB showed that it takes an average of 30 days to connect a standard warehouse/household to water and sewerage services. KANAWASCO is in the process of automating its water and sewerage application and connection processes and aims at progressively improving the time taken to connect from 14 average days realized in 2020/2021 to 7 days as provided in the customer service delivery charter.

Water and Sanitation Subsector overview

Access to safe water and sanitation is a human right. Governments are the duty bearers of the progressive realization of this right in their jurisdictions. Kenya, under Sustainable Development Goal 6, has committed itself to achieve by 2030 universal and equitable access to safe and affordable water for all; access to adequate and equitable sanitation and hygiene for all and an end to open defecation, paying special attention to the needs of women, girls and those in vulnerable situations. Against the above background, the 2022 Water Service Regulatory Board (WASREB) report indicates improvement in water coverage from 57% to 60%, Sewerage Coverage marginally increased from 15% to 16% and Sanitation Coverage from 88% to 93%.

Company's performance

During 2020/2021 financial year, just like other businesses, the Company experienced a shortfall on the level of business activities due to the effects of Covid -19 Pandemic and climatic change challenges. Despite these, the company revenue grew by 1.4% from Kshs 78,946,566 million in 2020/21 to Kshs 80,035,249 million in 2021/22. The company profitability increased by 25% from Kshs 3.6 million in 2020/21 to Kshs 4.6 million in 2021/22. The above profitability is attributed to the support in terms of grants (38% of our revenue) from our key partners the County Government and Water Sector Fund. Additionally, the Company asset base assets increased by 6% compared to financial year 2020/21 at Kshs 45.9 million. This positive change was occasioned improved billing, collection strategy, operational efficiency among others.

The main challenges the Company is facing are high production costs (electricity) and Non-Revenue Water (NRW) due high usage of power to pump water and old pipeline prone to bursts and leakages. To address these challenges the Company intends to work with the National and County Government support the development of Keben gravitational Water Project. On NRW the company is in the process of installing zonal/bulk meters, replacing old pipes and negotiating on a new billing software for accurate billing.

The right to water in our constitution, as well as the SDG target 6 envisages a world where there is increased water use efficiency while ensuring there is fresh water supplies. This target addresses the issue of water scarcity and the importance of increasing water-use efficiency and therefore Non- Revenue Water management being the key focus. A lot of efforts have been put towards reduction of water loses. Unfortunately, despite all these efforts, levels of non-revenue water continue to remain above the 25% WASREB's benchmark target. During the period, against a target of 38 %, the company scored 40 %, against previous performance of 47%, an improvement of improved performance of 57.1%.

On behalf of the Board, my gratitude goes to the National Government agencies directly and indirectly responsible for provision of Water and Sanitation services led by the Ministry of Water & Sanitation and sub-sector agencies such as Lake Victoria South and Central Rift Water Works Development Agencies including the regulator, WASREB, and Nandi County Government; our esteemed customers and other strategic stakeholders including the development partners such as African Development Bank (AfDB) for unwavering commitment and support during the year. The Board of Directors also wish to thank the management and staff for sustainability of water and sanitation services. We urge all the stakeholders to maintain and enhance the support and collaboration.



Joseph Ng'etich
BOARD CHAIR

Kapsabet Nandi Water and Sanitation Company Ltd

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REPORT OF THE GENERAL MANAGER

Introduction

Water is not only the most important factor for production but together with sanitation (which includes disposal of effluent and excreta) is the most important factor for human health. It is estimated that 80% of all diseases are water related, resulting in a huge bill for health care which could be drastically reduced with improved water services. The negative impact of insufficient water services on health and on productivity of the population is equally huge. Thus, water is a key determining aspect for economic growth in a country and for the wellbeing of its population.

Kenya with a population of 47 million, faces enormous challenges in providing sustainable access to safe water, sewerage systems and basic sanitation for its fast-growing population. Presently, the rural population is still bigger than the urban. But, as in all other countries in Africa, the pace of urbanization is breathtaking and leads to an increasing number of emerging "hotspots" which need particular attention such as the densely populated settlements of the urban poor. More than half of the urban populations live in such settlements where population growth reaches 10% per annum and more. The high density makes living conditions especially deplorable due to the sanitary conditions, creating a special condition of poverty.

Sustainable access to safe water is estimated at around 60% in urban and 40% in rural settings. Missing baseline data and sustainable information systems hinder obtaining a clear nationwide picture and thus, coverage can only be estimated. Therefore, sustainable access to safe water and basic sanitation is still declining in terms of quality and quantity. The main reasons are old infrastructure, inadequate management and maintenance of existing infrastructure. The new Water Act 2016, now transfers water service providers from the Water Boards to the County Government.

Commercial and Technical Sections Management

The Company has continuously for the past few years continued to strengthen these sections with a view to enhancing the meter reading, collection of revenue and expansion of our coverage and further aim at reducing the Non-Revenue Water (NRW) to desirable levels. (NRW now stands at 40%).

However, we have continued to experience tremendous challenges managing the old distribution lines which have had a direct bearing on the non-revenue water, particularly on all the lower parts of the town which experience high pressure. Coupled with the above, due to challenges related to planning, our lines have always been interfered with, arising from frequent grading and expansion of roads in town, increased developments in the urban and the peri-urban areas, among others. This has accounted to the rising cost on operations and maintenance attributed to frequent repairs on our lines and the NRW.

It is because of this that the Company has prepared a proposal for funding and forwarded to the County Government of Nandi for consideration. The proposal is targeting rehabilitation of the old lines and construction of elevated tanks in areas that experience low pressure.

During the year water bills arrears (over 60 days) stood at Kshs. 19.9 million, meaning much of our revenue remains uncollected due to the after effects of covid 19. The Government then gave a memo that due to the usage of water to combat the pandemic, the Water Companies (WSPs) were ordered not to disconnect water consumers on account of nonpayment. However, the revenue team has been advised to continue visiting the non compliant consumers with a view of requiring them pay to regularize their accounts or enter on a part payment plan with the Company

Financial Management

The Company continues to implement sound financial management through efficient and effective utilization of funds which will determine the achievement of the obligations of the approved budget. This section provides the technical assistance on utilization of funds in line with the budgetary allocations.

The institution's financial management system is in line with the existing government management rules and regulations, including the PFM Act 2012. It also takes into consideration other financial guidelines such as international financial reporting standards (IFRS).

The Company prepares and remit the quarterly and annual financial reports and statements to the County

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Government of Nandi, National Treasury and Office of the Auditor-General

The Company endeavors to ensure all income and expenses are accounted for

Human Resource

The Company has always aimed at retaining and attracting skilled workforce that will play a critical role in providing the desired service delivery to our consumers within our jurisdiction and beyond. This, we do despite the financial challenges due to our limited revenue base. We appreciate the efforts done by the County Government of Nandi in seconding several staff to the company with a view to strengthening the human resource capacity resulting in a remarkable improvement of service delivery.

During the year under review the total number of staff stood at fifty comprising of County and the Company staff.

The Company has an approved scheme of service and Human Resource manual which guide the Company on day to day human resource function.

Future Plans and Going Concern

During the year under review, the Company spent quite a substantial part of the revenue in paying the electricity bills. To this end therefore, we have endeavored to partner with Lake Victoria North Development Works Authority in addressing this huge challenge by giving consideration the possibility of a gravity driven project which will substantially bring down the operations and maintenance costs.

The Company will initiate the process of tariff review so that water sales can cover the cost of production.

Rift Valley Development Works Authority in partnership with the Company, is carrying out augmentation of the Nandi Hills water supply. The project involves rehabilitation of the current treatment works, construction of a new alternative intake, treatment works, additional storage and rehabilitation of all the main and service lines. These efforts will enhance our capacity in providing water and addressing the NRW.


Anthony Kiboiy
GENERAL MANAGER

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STATEMENT OF THE COMPANYS' PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021-22

Before the commencement of the financial year, the Company had operational and financial objectives to be met. These include;

- Increasing water and sanitation coverage
- Striving to achieve financial sustainability
- Ensuring operational effectiveness and efficiency; Strengthening institutional capacity
- Mainstreaming cross – cutting issues: gender, youth, HIV/AIDS, disability, poverty and environment.

Implementation strategies have been identified with accompanying activities and timelines to actualize the objectives.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Water and sanitation coverage	100 % water and sanitation coverage	- Coverage area	- Extension of new lines - Registration of customers	- 3% increase in water coverage from 72% to 75% - 123 new customers registered
Financial sustainability	To achieve financial sustainability	- Water sales - Collection efficiency - %age of NRW	- Correct meter readings - Effective collection exercise - Quick response to bursts and leakages and installation of zonal meters	- Increased water bills by 3.8 million - Collection efficiency of 95 % from 90 %
Operational effectiveness and efficiency; Institutional capacity	To ensure operational effectiveness and efficiency; To strengthen institutional capacity	- Company Performance - Employee satisfaction	- Implementation of the scheme of service - Execution of the budget	- Timely payment of salaries and statutory deductions - Formation of sections and departments
Cross – cutting issues	To mainstream cross – cutting issues; gender, youth, HIV/AIDS, PWDs, poverty & environment	- Company's involvement in gender, youth, HIV/AIDS, PWDs, poverty & environmental issues.	- Engagement of youth (both male and female) in casual works - Water sources conservation	- Through engagement of casuals, the company rehabilitated lines in Chepcholol and Kokwet routes - The company planted trees at the intake and upstream

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CORPORATE GOVERNANCE STATEMENT

The Company regards corporate governance as pivotal to the success of its operations and the Board as the essential and responsible organ is committed to ensure that good governance is practiced. The Board supports the best practices in corporate governance and adhere to its guide lines. As the policy maker, the Board is responsible for establishment of short-, medium- and long-term goals and the strategic plans to achieve them.

The Board ensures that the Company follows the Constitution, laws, regulations of the Government of Kenya, Nandi County Government and other bodies and its Articles and Memorandum of Association

The Board members are appointed on a renewal three-year term and competently recruited by the County Government of Nandi public service Board but are removed from office on grounds stated in the Memorandum and Articles of Association

The Board of Directors met four times a year and deliberate on various issues provided in the agenda drawn by the Managing Director, the Secretary to the Board. The attendance to the meetings is recorded in an attendance book

The Board members are paid sitting allowances and travelling as per the rates captured in the budget

The Board has three Sub Committees, which are:

Finance, Human Resource & ICT Committee

The Committee is responsible for the policy on financial and human resource.

It also reviews strategic & business plans, financial statements, Budget & procurement plans, investment, staff welfare and recruitment

Audit & Risk Management Committee

The Committee is responsible for establishment and review of efficient internal controls, effective risk management policy, external auditors' queries and Nandi County Assembly Public Investment Committees recommendations.

The Board discharges its supervisory and oversight responsibility through this committee.

Technical Committee

The Committee is responsible for establishment and review of quality standards for civil, structural and operational works in the Company.

The management consists of the Managing Director, Commercial Manger, Technical Manager and Human Resource Manager who run the Company in day-to-day basis

The management provides leadership by guiding and directing the activities of the Company, ensuring effective management, monitoring the activities of the entity to ensure they are in line with the Company Vision and Mission

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MANAGEMENT DISCUSSION AND ANALYSIS

a) Company's Operational and Financial Performance

During the year the Company improved in its operational and financial performance

In the operational performance, the Company increased its capacity by strengthening essential sections like Procurement & Stores, ICT, Revenue and Meter reading that enabled increased service delivery to the consumers.

The Company also reviewed some operational policies that will provide clear working structures of the Company

The Company performed very well in financially during the as it increased its revenue billing & collection and assets portfolio.

b) Company's Compliance with Statutory Requirements

The Company paid all NHIF, NSSF, Pension and PAYE due by the close of the financial year

c) Key Projects and Investment Planned/Implemented

During the period the Company implemented Water Sector Fund projects for UBSUP and Kipkoil water

d) Major Risks

The major risks facing the Company are:

- Alternate source of water to residents
- High water loss
- High operational costs e.g., electricity

e) Financial Probity and Governance

The Company has no financial probity and governance issues.

The new Board of Directors was appointed in November 2021 for a period of three years


Anthony Kiboi
GENERAL MANAGER

Kapsabet Nandi Water and Sanitation Company Ltd

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ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kapsabet Nandi WASCO Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence.

Below is a brief highlight of our achievements in each pillar

1. Sustainability Strategy and Profile

The Company management has put in place strategies that will ensure the organization breaks even: increase connections and reduction of water loss

The Company has a HR policy where staff should be non political

The Company also engages in HR, Financial and Technical best practice as per the International Standards

2. Environmental Performance

The Company as at now does not deal with the sanitation component; however, it engages Water Resource Authority to ensure all water sources are safe

The Company also does weekly water quality tests to ensure that water is of the required standard quality

3. Employee Welfare

The Company has a comprehensive scheme of service which entails staff establishment & recruitment (merit & gender), promotion, training and welfare. The staff welfare includes a medical scheme, staff protective equipment and a group insurance cover

The Company has stake holders for a where their opinions are considered; these include AGMs, Tariff review and Water distribution meetings. The Company has a dedicated Customer and Public Relations office which receives views and concerns from the stakeholders through social media and a mobile line

4. Market Place Practices

a) On responsible competition practice, the Company engages in responsible completion and respect its competitors

b) On responsible Supply chain and supplier relations- the Company follows the Procurement ACT on suppliers of services and goods. The Company strives pays its suppliers on time as per the supply contract.

On responsible marketing and advertisement, the Company provides quality piped water to contracted consumers within its jurisdiction hence no much marketing and advertisement

c) On product stewardship, the Company has contracts with its consumers on water provision where their rights are spelt out

5. Community Engagements

The Company as the integral part of the community was able to provide and facilitate industrial attachment to over 100 students during the period

The Company with the assistance from the County Government of Nandi also was able to supply water free of charge using its water bowser to the community during functions like public holidays and funerals

The water bowser is also used during the County Government of Nandi sports events.

Members of public and other public organizations held meetings free of charge in the Board room hall,

Kapsabet Nandi Water and Sanitation Company Ltd

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REPORT OF THE DIRECTORS

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

Principal Activities

The principal activities of the Company are water and sanitation provision though sanitation is still managed by the Nandi County Government.

Results

The results of the Company for the year ended June 30, 2022 are set out on pages 1 – 30.

Dividends

Though the Company made a profit of Kshs. 4,630,239 and the Directors do not recommend for any dividend payment due to the low retained earnings

Directors

The members of the Board of Directors who served during the year are shown on page vi-v in accordance with Regulation of the Company's Articles of Association, were recruited in November 2021 for a term of three years

Auditors

The Auditor General will be responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2022

By Order of the Board


Anthony Kiboiy

BOARD SECRETARY

Dated

26th Sept 2022

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Company;
- v. selecting and applying appropriate accounting policies;
- vi. Making accounting estimates that are reasonable in the circumstances.

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

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

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

Approval of the financial statements

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



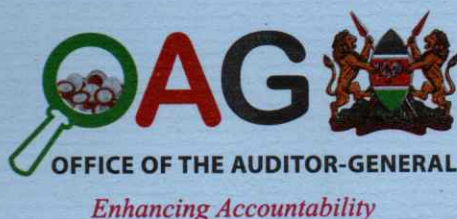
Joseph Ng'etich
BOARD CHAIR



Anthony Kiboiy
GENERAL MANAGER

REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and overall 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 Kapsabet Nandi Water and Sanitation Company Limited set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kapsabet Nandi 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 the International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Water Deposits

The statement of financial position reflects water deposits balance of Kshs.5,462,000 being refundable customer deposits as disclosed in Note 25 to the financial statements. The amount differs with customer deposits cash book balance of Kshs.1,862,929 resulting to an unexplained variance of Kshs.3,599,071.

In the circumstances, the accuracy, completeness and existence of the water deposits balance of Kshs.5,462,000 could not be confirmed.

2. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.21,974,841. However, as reported in the previous year, assets amounting to Kshs.706,977,432 which have been in the books of Lake Victoria North Water Services Board (LVNWSB) have not been transferred to the Company as required by Section 153 of the Water Act, 2016 which states that all property, assets, rights, liabilities, obligations, agreements and other arrangements linked to water service provision existing at the commencement of the Act are deemed to have been vested in the County Water Service Provider and do not form part of the balance reported in the financial statements. Further, the value of the land on which the Company's buildings stand in Kapsabet, Nandi Hills town, water tanks in Kapsabet Boys High School, Kabutie treatment works (old and new), Singorwa and Nandi Hills Bears Club were not included in the reported balance of property, plant and equipment as at 30 June, 2022.

In addition, ownership documents of these assets such as title deeds, leases or allotments were not provided for audit verification.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.21,974,841 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

The progress on follow-up on auditor's recommendations section of the financial statements reflects issues raised in the previous year's audit report that remain unresolved as at 30 June, 2022. No satisfactory explanations were provided for not resolving the issues.

In the circumstances, the audit issues remained unresolved.

Other Information

The Board of Directors is responsible for the other information, which comprises the Chairman's Report, Report of the Managing Director, Directors' Report, the statement of Corporate Governance, Management Discussions and Analysis, Environmental Sustainability Reporting and the Report of the Directors' Responsibility. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.45,234,485 which comprises of water sales revenue from Kapsabet Scheme amount of Kshs.37,894,390 and Nandi Hills Scheme amount of Kshs.7,340,095 as disclosed in Note 5 to the financial statements. Records provided for audit review indicate that the Company produced a total of 1,030,817 cubic meters (M³) of water during the year under review, out of which, 730,785 cubic meters (M³) of water was billed to customers for Kshs.45,234,485 while the balance of 300,032 cubic meters (M³) or approximately 29% of the total volume of water produced represents non-revenue water. The non-revenue water of 29% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 4%.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services.

2. Non-compliance with Staff Ethnic Diversity law

During year under review, the Company had a total work force of fifty-six (56) employees out of which forty-eight (48) or approximately 89% of the Company's workforce were from the dominant community in the County.

In addition, review of records provided for audit revealed that the Board of Directors who served during the year under review comprised of five (5) members, all of whom were from the same ethnic community and of the same gender. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires 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. Further, having all the board members from the same gender contravenes Article 27(8) of the Constitution of Kenya, 2010.

Under the circumstances, Management was in breach of the National Cohesion and Integration Act, 2008.

3. Unapproved Board Allowances and Chairman's Honoraria

The statement of profit or loss and other comprehensive income for the year under review reflects board of Directors' expenses amount of Kshs.730,151 which comprises of Director's allowances of Kshs.402,148, Directors' expenses of Kshs.168,003 and Chairman's honoraria of Kshs.160,000 as disclosed in Note 11 to the financial statements. Review of documents revealed that the Board Chairman was paid a sitting allowance of Kshs.25,000 while the other board members were paid a sitting allowance of Kshs.21,429 for every board meeting attended. Further, the Board Chairman was paid a monthly honorarium of Kshs.20,000. However, the Management did not provide approval from the Salaries and Remuneration Commission for the rates and benefits paid. This is contrary to Article 230(4) of the Constitution of Kenya 2010 which states that the

powers and functions of the Salaries and Remuneration Commission shall be to set and regularly review the remuneration and benefits of all state officers and advise the National and County Governments on the remuneration and benefits of all other public officers.

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

4. Long Term Receivables from Exchange Transactions

The statement of financial position reflects trade and other receivables balance of Kshs.22,353,824 as disclosed in Note 20 to the financial statements. Review of the aging analysis provided for audit revealed that water debts amounting to Kshs.19,771,613 had been outstanding for over sixty (60) days. This is contrary to Section 6.3 of the Company finance manual of March, 2018 which states that the Company may allow up to sixty (60) days moratorium before payment for monthly bill or any other amounts due on contractual obligation.

In the circumstances, Management was in breach of the Company finance manual of March, 2018.

5. Failure to Hold Annual General Meeting

During the year under review, there was no evidence that the Company held an annual general meeting (AGM) contrary to the provisions of Section 310(1) of the Companies Act, 2015 which requires every public company to hold a general meeting as its Annual General Meeting within six months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period.

In the circumstances, Management was in breach of the Companies Act, 2015.

6. Internal Audit

During the year under review, there was no evidence that the Company conducted an internal audit evaluation to oversee the governance mechanism and promote transparency and accountability in the management of resources of the Company, contrary to the requirements of Section 155(1)(a) of the Public Finance Management Act, 2012 which states that a County Government entity shall ensure that it complies with this Act and it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board, and Regulation 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that Internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities.

In the circumstances, Management was in breach of the Public Finance Management Act, 2012.

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 matters 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

1. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.11,973,895 which comprises of trade payables balance of Kshs.10,155,895 and audit fees arrears balance of Kshs.1,678,000 as disclosed in Note 28 to the financial statements. Review of the aging analysis provided for audit revealed that trade payables amounting to Kshs.8,476,130 had been outstanding for over ninety (90) days. The Management has not provided a settlement plan to be followed by the Company in settling these debts. Further, there was no evidence of the Company engaging the creditors on non-payment of amounts due. This is contrary to Paragraph 3.1(n) of Company Finance Manual, 2018 which requires payments to be made as per the aging analysis of the payables and if the Company has reasons for non-payment, the creditors be informed in advance by letters or phone calls.

2. Failure by the Board of Directors to Conduct Self -Assessment

The statement of profit or loss and other comprehensive income for the year under review reflects board of Directors' expenses amount of Kshs.730,151 which comprises of director's allowances of Kshs.402,148, Directors' expenses of Kshs.168,003 and Chairman's honoraria of Kshs.160,000 as disclosed in Note 11 to the financial statements. However, there was no evidence to confirm that the Board of Directors conducted a self-evaluation of its performance and a report on the self-evaluation submitted to the Ministry of Water, Sanitation and Irrigation and the State Corporations Advisory Committee in accordance with Head of the Public Service Circular No.OP/CAB.9/1A dated 11 March, 2020.

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 the 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 my audit.
- II. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those books; and
- III. The Company's financial statements are in agreement with those records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 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 assessment of the effectiveness of internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 May, 2023

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 kshs	2021 kshs
REVENUE			
Operation Revenue	5	45,234,485	41,448,875
Recurrent Grants	6	30,155,324	33,565,255
Other Income	7	4,645,440	3,932,430
TOTAL REVENUE		80,035,249	78,946,560
EXPENSES			
Operation Expenses	8	23,572,629	24,465,364
Staff Expenses	9	33,801,514	34,555,158
General Expenses	10	13,236,410	12,615,929
BOD Expenses	11	730,151	995,613
Maintenance Expenses	12	1,613,447	625,802
Provision for Depreciation	13	2,450,859	2,070,150
Provision for Amortisation	14	-	-
TOTAL EXPENSES		75,405,010	75,328,017
PROFIT/(LOSS)		4,630,239	3,618,543
PROFIT (LOSS) BEFORE TAXATION	15	(23,074,226)	(29,742,646)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION	15	(23,074,226)	(29,742,646)
DIVIDEND PER SHARE		NIL	NIL
OTHER COMPEHENSIVE INCOME			
Profit/Loss after Taxation		-	-
Surplus/Deficit on Revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2022 kshs	2021 kshs
ASSETS			
Non Current Assets			
Property, Plant & Equipment	13	21,974,841	20,519,587
Intangible Assets	14	-	-
Sub Total		21,974,841	20,519,587
Current Assets			
Prepayment (Payables)	16	10,143	931,142
Inventory	17	327,280	238,472
Electricity Deposits	18	311,000	311,000
License Performance Guarantee	19	860,350	560,000
Trade & Other Receivables	20	22,353,824	22,541,130
Bank & Cash Balances	21	2,707,491	822,758
Sub Total		26,570,089	25,404,502
TOTAL ASSETS		48,544,929	45,924,090
EQUITY AND LIABILITIES			
Share Capital	22	100,000	100,000
Retained Earnings	23	3,941,160	(689,079)
Capital Grants	24	26,672,763	26,672,763
Capital and Reserves		30,713,923	26,083,684
Non Current Liabilities			
Water Deposits	25	5,462,000	5,339,000
Sub Total		5,462,000	5,339,000
Current Liabilities			
Bank Overdraft	26	707	505,064
Prepayment (Receivables)	27	394,405	193,491
Trade & Other Payables	28	11,973,895	13,802,851
Sub Total		12,369,007	14,501,405
TOTAL EQUITY AND LIABILITIES		48,544,929	45,924,090

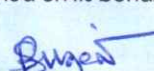
The financial statements were approved by the Board on 26th September 2022 and signed on its behalf by:



Joseph Ng'etich
BOARD CHAIR



Anthony Kiboi
GENERAL MANAGER



Albert Cheruiyot
ACCOUNTANT-ICPAK NO 24680

Kapsabet Nandi Water and Sanitation Company Ltd

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

	ORDINARY SHARE	CAPITAL GRANTS	RETAINED EARNINGS	TOTAL
AS AT JULY 1 2020	100,000	24,442,763	(4,307,622)	20,235,141
Profit/Loss for the year			3,618,543	3,618,543
AS AT JUNE 30,2021	100,000	24,442,763	(689,079)	23,853,684
AS At JULY 1,2021	100,000	24,442,763	(689,079)	23,853,684
Profit for the year			4,630,239	4,630,239
Capital Grants		-	-	-
AS AT JUNE 30,2022	100,000	24,442,763	3,941,160	28,483,923

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 kshs	2021 kshs
Net Cash generated from /used in Operating activities	29 (i)	5,790,846	563,764
Investing Activities			
Acquisition of Property, Plant & Equipment	13	(3,906,113)	(1,660,728)
Net Cash generated from / used in Investing Activities		(3,906,113)	(1,660,728)
Financing Activities			
Net Cash generated from / used in Financing Activities		-	-
INCREASE /DECREASE IN CASH & CASH EQUIVALENT		1,884,733	(1,096,964)
CASH & CASH EQUIVALENT AT BEGINNING OF THE YR		822,757	1,919,721
CASH AND CASH EQUIVALENT AT END OF THE YR	21	2,707,491	822,757

Kapsabet Nandi Water and Sanitation Company Ltd

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STATEMENT OF COMPARISON OF BUDGET & ACTUALS FOR FY 2021/22

ACCOUNT	ORIGINAL BUDGET	FINAL BUDGET	ACTUALS	VARIANCE	
				kshs	%
Revenue					
Water Sales	42,000,000	42,000,000	45,234,485	3,234,485	8
Other Income	3,316,000	3,316,000	4,645,440	1,329,440	40
Grants	42,092,526	42,092,526	30,155,324	(11,937,202)	(28)
TOTAL INCOME	87,408,526	87,408,526	80,035,249	(7,373,277)	19
Expenditure					
Electricity	18,360,000	18,360,000	19,079,517	719,517	4
Chemicals	2,879,240	2,879,240	2,550,382	(328,858)	(11)
Water Quality	294,000	294,000	10,556	(283,444)	(96)
Operations & Maintenance	2,164,100	2,164,100	1,942,730	(221,370)	(10)
Salary and Wages	35,073,458	35,073,458	32,087,309	(2,986,149)	(9)
Employers' Statutory Contri.	1,770,088	1,770,088	1,714,205	(55,884)	(3)
Fuel & Lubricants	1,632,000	1,632,000	1,783,345	151,345	9
Repairs & Maintenance	1,750,000	1,750,000	1,613,447	(136,553)	(8)
Staff Travelling, Lunch & Subs.	3,705,720	3,705,720	2,823,080	(882,640)	(24)
Staff Training & Workshop	690,000	690,000	125,300	(564,700)	(82)
Staff Medical Cover	2,500,000	2,500,000	-	(2,500,000)	(100)
Professional Fees	90,000	90,000	6,000	(84,000)	(93)
BOD Allowances	1,441,728	1,441,728	402,148	(1,039,580)	(72)
BOD Expenses	1,300,000	1,300,000	168,003	(1,131,997)	(87)
Honoraria	240,000	240,000	160,000	(80,000)	(33)
Printing & Stationery	1,439,250	1,439,250	386,120	(1,053,130)	(73)
Communication Services	2,090,000	2,090,000	1,792,960	(297,040)	(14)
Advertisement & Publicity	750,000	750,000	358,550	(391,450)	(52)
Welfare & Hospitality	1,705,900	1,705,900	828,218	(877,682)	(51)
Uniform & Protective Equip.	432,500	432,500	63,420	(369,080)	(85)
Subscription Fees	90,000	90,000	75,000	(15,000)	(17)
Consultancy Fees	100,000	100,000	-	(100,000)	(100)
License & Network	210,000	210,000	149,681	(60,319)	(29)
Audit Fees	296,000	296,000	232,000	(64,000)	(22)
Security	1,404,000	1,404,000	1,312,040	(91,960)	(7)
Insurance	860,000	860,000	306,103	(553,897)	(64)
CSR	60,000	60,000	-	(60,000)	(100)
Provision for Depreciation	1,980,000	1,980,000	2,450,859	470,859	24
Provision for Amortisation	360,000	360,000	-	(360,000)	(100)
Provision for Bad Debts	180,000	180,000	-	(180,000)	(100)
Regulatory Levy	1,812,640	1,812,640	1,994,990	182,350	10
Consumer Inspection	390,000	390,000	266,000	(124,000)	(32)
Abstraction Fees	660,000	660,000	621,990	(38,010)	(6)
AGM	60,000	60,000	-	(60,000)	(100)
Titles Acquisition Fees	150,000	150,000	-	(150,000)	(100)
Legal Fees	150,000	150,000	-	(150,000)	(100)
Bank Charges	90,000	90,000	101,058	11,058	12
TOTAL EXPENSES	89,160,624	89,160,624	75,405,010	(13,755,613)	(15)

NOTES

The Company did not do any adjustment to the original approved budget. The variances of income and expenses of more than 10 % have been explained below;

❖ Other Income (+40%)

The Company ensured all disconnected connections paid reconnection fees and other

Kapsabet Nandi Water and Sanitation Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2022

charges

❖ **Grants (-28%)**

The County Government of Nandi and Water Sector Fund did not remit the funds as anticipated

❖ **Chemicals (-11%)**

Donation in kind by JICA

❖ **Water Quality (-96%)**

External water tests were not done as anticipated

❖ **Travelling, Lunch & Subsistence (-24%)**

The Company staff did not travel out because of Covid 19

❖ **Staff Training (-82%)**

The training was not done because of Covid 19

❖ **Professional fees (-93%)**

The Company had paid the fees for a longer period last financial year.

❖ **BOD Allowances (-72%) & BOD Expenses (-87%)**

Meetings were restricted because of Covid 19 and exit of the old Board

❖ **Honoraria (-33%)**

Period of transition of the Board

❖ **Printing & Stationery (-73%)**

Use of SMS billing

❖ **Communication Services (-14%)**

Retirement and resignation of staff who were getting the monthly airtime

❖ **Advertisement & Publicity (-52%)**

The company did not do advertisement as expected

❖ **Welfare & Hospitality (-51%)**

Visitors to the Company was restricted because of Covid 19

❖ **Staff Uniform & PPE (-85%)**

Staff were not provided with Uniform because of funds

❖ **Subscription fees (-17%)**

The company was not able to subscribe to WASCA -Water companies sports

❖ **Licenses (-29%)**

Kapsabet Nandi Water and Sanitation Company Ltd

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For the year ended June 30, 2022

The Company was not able to upgrade some software during the year because of arising issues

❖ **Insurance (-64%)**

The company was not able to fund some premiums

❖ **Depreciation (+24%)**

Price variation of the assets due to high fuel and taxes

❖ **Provision for Bad Debts (-100%)**

Improved collection efficiency of water bills

❖ **Consumer Inspection (-32%)**

Use of staff instead of casuals

❖ **Bank Charges (+12%)**

Printing of bank statements

The Company did not incur on Staff medical cover, consultancy, CSR, amortization, AGM, titles acquisition and legal fees because of funds

Overall, the Company was within the budget on income and expenditure

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kapsabet Nandi Water & Sanitation Company Ltd is established by and derives its authority and accountability from Company Act.

The Company is wholly owned by the County Government of Nandi and is domiciled in Kenya, Kapsabet Town

The Company's principal activity is water and sanitation provision.

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 & 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements

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

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

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

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted obligations on or after 1 January 2022.

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Amendment to IFRS 1 titled Subsidiary as a First-time Adopter

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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 events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IAS 8- Accounting Policies, Errors and Estimates

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

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The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

i. Early adoption of standards

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

4. ACCOUNTING POLICIES

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

a. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost convention. The financial statements shall be prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

The financial statements have been prepared in accordance with the PFM Act and the State Corporations Act

The accounting policies adopted have been consistently applied to all the years presented

b. Revenue Recognition

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

- i. Revenue from the sale of goods and services has been recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. Grants from National Government and County Government have been recognized in the year in which the Company actually receives such grants. Grants for acquisition of fixed assets shall be measured at fair value less costs to sell and recognized in the income statement as the asset is depreciated or amortized but recurrent grants are recognized in the income statement. The granted fixed assets shall be recognized as capital grants in the financial position statement. Any un used grant has been recognized as un expended grant in the financial position statement as a liability
- iii. Other incomes have been recognized as they accrue.

c. Expenditure Recognition

Expenditure is recognized on an accrual basis.

d. Translation of Foreign Currencies

All assets and liabilities expressed in foreign currencies are converted into Kenya Shillings at the

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exchange rate ruling at the balance sheet date.

Transactions in foreign currencies during the year shall be converted at the rates ruling at the date of the transaction.

The resulting exchange differences are recognized in the statement of financial performance.

e. Reporting in Foreign Currencies

Financial statements may be translated into a foreign currency for the purposes of Development Partner reporting where required.

f. Segmental Reporting

Segment information has been presented in respect of the Company's geographical segments and will be based on the location over which the Company has jurisdiction.

Segment results, assets and liabilities include items directly attributable to a segment.

g. Property, Plant and Equipment

Items of property, plant and equipment have been stated at historical cost less accumulated depreciation and impairment.

Fixed assets donated to the Company are included in the accounts at the amount attributed to them by the Development partners.

Fixed assets received from Development partners whose values have not been determined will be valued by a recognized valuer before inclusion in the asset register.

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

Property, plant and equipment shall include granted fixed assets by Government, development partners and those acquired by the Company but shall exclude all fixed assets leased and owned by Lake Victoria North Water Services Board unless they have been transferred to the Company. The Company will service, maintain and insure all granted and leased fixed assets.

h. Intangible Assets

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

i. Depreciation & Impairment of Property, Plant and Equipment

Freehold land and capital work in progress have not been 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 recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

A full year's depreciation charge has been recognized both in the year of asset purchase and in the year of asset disposal.

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The annual rates of depreciation used are as follows:

Buildings	5%
Land	Nil
Water Supply infrastructure	2.5%
Plant, machinery and equipment	12.5%
Office Equipment	12.5%
Computer Equipment	30%
Motor vehicles	25%
Furniture and fittings	12.5%

j. Amortization and Impairment of Intangible Assets

Amortization has been calculated on the straight-line basis over the estimated useful life of computer software of three years.

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 recognized so that the asset is written down immediately to its estimated recoverable amount

k. Operating Lease Rentals

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement account on a straight-line basis over the period of the lease.

l. Inventories

Inventories have been stated at the lower of cost and net realizable value. Cost includes all costs of purchase and other charges incurred in bringing the inventories to their present location and condition.

The cost of inventories is based on the weighted average cost. If the purchase cost is higher than the net realizable value, stocks are have been written down to net realizable value.

m. Trade and Other Receivables

Trade and other receivables have been recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. The Company's receivables include but not limited to amounts due on sale of water, water boozier service, among other fees and staff advances.

Debtors may arise from amounts due to the Company from another party resulting from contractual obligations or other transactions.

The Company shall maintain a separate account for each debtor. Debtors' accounts shall be maintained by the Accountant and Debtors ageing analysis shall be prepared monthly.

Recoverability

The Company may allow up to 60 days moratorium before payment for monthly bill or any other amounts due on contractual obligation.

This period may however be revised by the MD and Board of Directors, if deemed necessary. Outstanding debts shall be followed up through phone call, physical visits and subsequently in writing to notify the debtor to honor the debt.

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The Company shall recover water debts by:

- ❖ Disconnecting the consumer
- ❖ Disconnecting any other connection(s) related to the consumer
- ❖ Transferring any credit in connection(s) related to the consumer

Bad Debts Provision /Write off Policy

The Head of Finance shall review all outstanding debts which are under dispute, on a monthly basis, before any bad debt provisions are made.

Provisions shall be made for bad and doubtful debts at 10 % of the outstanding amount:

For individual arrears in excess of Kshs. 5,000 the bad debts should only be written off on the authority of the Board of Directors. Debts will be written off only after all reasonable steps have been taken to recover the debt and the Company is satisfied that:

- ❖ All legal and other measures have been exhausted, but there is still a balance of the debt remaining; and
- ❖ Recovery of the debt would be uneconomical.

The Head of Finance presents the list of debts to be written off to the GM with the full details of the debt and the reasons for being irrecoverable

The list will be forwarded to the relevant Board committee for discussion and adoption and finally to the BOD for approval

n. Trade and Other Payables

Trade and other payables are non-interest bearing and are carried at amortized 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 Company or not, less any payments made to the suppliers.

Payments are made as per the aging analysis of the payables and if the Company has a reason of nonpayment, the creditor is informed in advance by letters or phone calls

o. Prepayments

These are advance payment to suppliers or by water consumers

The Company shall maintain a prepayment schedule for all prepayments

p. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

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

The management has provided 10 % for bad and doubtful debts

q. Consistency

Consistency accounting methods have been applied and changes made reported and the effect on reported results disclosed in accordance with generally accepted Accounting Principles.

r. Related Party Disclosures

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Related party disclosures are persons and entities that have control or joint control, significant influence, and members of the key management. It does not include providers of finance, trade unions, public utilities or agencies of government that do not control, jointly or significant influence in the Company.

The Company has recognized related party transactions when there is transfer of resources, services or obligations between related parties regardless of whether a price is charged.

The Company has disclosed the nature of relationship, information of transaction and balance for understanding of the potential effect of the relationship on the financial statements.

s. Financial Instruments

These are contracts that give to a financial asset or liability when the Company becomes a party to contractual provisions of the instrument.

A financial asset is an asset that is in cash, an equity instrument of another entity, a contractual right or contract that will or may be settled in the entity own equity instrument.

The financial instruments shall initially be recognized at fair value on the statement of financial position when the entity becomes party to the contractual provisions of the instrument and measured initially at fair value but subsequently measured on the category into which the instrument is classified.

t. Taxation

The purpose of this section is:

- i. To ensure that the Company is in compliance with the Tax regulations;
- ii. To ensure that proper accounting procedures are followed in the processing of tax transactions; and
- iii. To ensure that proper documentation is maintained for tax purposes.

Withholding Tax Deductions

The Company deducts withholding tax for every consultancy and contractor and shall remit the same to the Income Tax Department of the Kenya Revenue Authority as prescribed by the Income Tax Act. The consultants and contractors will be required to provide their PIN.

The applicable withholding tax rates for payments to residents and non residents are provided in the Income Tax Act and it is the responsibility of the Company to ensure compliance with Kenyan tax legislation.

The deducted Withholding tax will be accumulated in a liability account and paid promptly on or before the 20th day of the month following that in which the deduction is made and filled through the i-tax portal.

The Company will issue withholding tax certificates to the consultants and contractors accordingly.

PAYE (Pay as you Earn)

The Company deducts PAYE from every employee of the Company. The amount shall be computed based on the advised KRA income tax schedule and shall include tax on all income related allowance.

PAYE returns are submitted, together with supporting payroll documentation to the Income Tax Department i tax portal by the 9th day of the subsequent month.

The Company issues P9 certificates to all employees at the end of the year.

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Accounting for VAT on Purchases

The Company is not registered for VAT neither is it exempt from paying VAT and It therefore suffers VAT on supplies of goods and services.

However reverse VAT will be computed and paid for all imported goods and services

Tax on the Company Income

The Company enjoys an income tax exemption status which is renewable every five years on application. However nil tax returns will be made before 30th June of every year.

Current income tax assets and liabilities for the current period shall be 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.

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

Deferred Tax

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

u. Cash and Cash Equivalent

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

v. Retirement Benefit Obligations

The Company operates a defined contribution scheme for all full-time employees from with National Water Pipeline Corporation. The scheme shall be contributory and shall be by contributions from both the Company and its employees at 15 % to 12 % of the basic salary.

The Company also contributes to the statutory National Social Security Fund (NSSF) for all staff. This is a defined contribution scheme registered under the National Social Security Act.

The Company's obligation under the scheme shall be limited to specific contributions legislated from time to time

w. Provisions for Staff Leave Pay

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

x. Budget Information

The budget was approved by Board of Directors and any additional appropriations made to the approved budget

The Company's budget was prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements will be 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 will be 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, will be presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements will be made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget

y. Comparative figures

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

z. Significant Judgment and Sources of Estimation Uncertainty

The preparation of the Company's financial statements is 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.

The Company shall state all judgments, estimates and assumptions made: e.g.

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.

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

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❖ Changes in the market in relation to the asset

aa. Contingent Liabilities and Assets

A current liability is a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured, eg pending law suits by employees and third parties

The Company shall recognize current liabilities if they are present obligations assumed in a business combination. They are disclosed in the notes to the financial statements unless the likelihood of an outflow of resources is remote.

Contingent assets are not recognized in the financial position statement.

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NOTES TO THE FINANCIAL STATEMENTS

	Notes	2022 kshs	2021 kshs
5 OPERATING REVENUE			
Scheme	Kapsabet	37,894,390	34,500,985
	Nandi Hills	7,340,095	6,947,890
Total		45,234,485	41,448,875
6 RECURRENT GRANTS			
Nandi County Govt:	Electricity	7,731,172	23,043,146
	Salary & Wages	8,713,411	10,178,185
Water Sector Fund	CLSG	12,898,461	-
	Chemicals	-	343,924
JICA	Chemicals	812,280	-
Total		30,155,324	33,565,255
7 OTHER INCOME			
Meter Rent		2,561,800	2,477,800
Fees & Charges		809,657	988,650
Water Bowser		1,268,800	465,980
Decrease in Provision for Debts	30	5,183	-
Total		4,645,440	3,932,430
8 OPERATION EXPENSES			
Electricity		19,079,517	20,438,952
Chemicals		2,550,382	2,604,390
Operation & Maintenance		1,942,730	1,422,022
Total		23,572,629	24,465,364
9 STAFF EXPENSES			
Salaries and Wages		32,087,309	32,873,058
Employers' Statutory Contribution		1,714,205	1,682,100
Total		33,801,514	34,555,158
10 GENERAL EXPENSES			
Travelling, Lunches & Subsistence		2,823,080	2,978,606
Staff Training & Workshops		125,300	95,400
Professional Fees		6,000	17,000

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Staff Uniform & Protective Equipment	63,420	14,600				
Fuel & Lubricants	1,783,345	1,240,399				
Water Quality	10,556	9,690				
Printing & Stationery	386,120	556,645				
Communication Services	1,792,960	1,676,601				
Advertisement & Publicity	358,550	138,800				
Welfare & Hospitality	828,218	1,138,817				
Subscription Fee	75,000	65,000				
Annual License Fee	149,681	252,640				
Audit Fees	232,000	232,000				
Security	1,312,040	1,284,000				
Insurance	306,103	119,570				
Provision for Bad & Doubtful Debts	30	204,066				
Annual General Meeting	-	27,000				
Regulatory Levy (WASREB)	1,994,990	1,816,369				
Abstraction Fees (WRMA)	621,990	639,165				
Consumer Inspection	266,000	-				
Bank Charges	101,058	109,562				
Total	13,236,410	12,615,929				
11 BOD EXPENSES						
Directors Allowances	402,148	657,152				
Directors' Expenses	168,003	128,461				
Chairman's Honoraria	160,000	210,000				
Total	730,151	995,613				
12 MAINTENANCE EXPENSES						
Motor Vehicles	480,255	171,050				
Plant & Pipeline	763,987	319,540				
Buildings	310,985	72,130				
Equipment	16,180	27,200				
Computers & Network	42,040	35,882				
Total	1,613,447	625,802				
13 PROPERTY, PLANT & EQUIPMENT						
ASSET	PLANT & METERS	MOTOR VEHICLES	BUILDINGS	FURNITURE FIXTURES	COMPUTERS & PRINTERS	OFFICE EQUIPMENT
Cost or Valuation						

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As at July 1, 2020	7,761,480	742,400	18,047,362	1,266,296	2,458,006	1,092,866	31,368,410
Additions	1,260,000	392,000	-	-	-	8,728	1,660,728
Transfer	-	-	-	-	-	-	-
As at June 30, 2021	9,021,480	1,134,400	18,047,362	1,266,296	2,458,006	1,101,594	33,029,138
As at July 1, 2021	9,021,480	1,134,400	18,047,362	1,266,296	2,458,006	1,101,594	33,029,138
Additions	2,406,180	-	94,835	-	1,019,100	385,998	3,906,113
Transfer	-	-	-	-	-	-	-
As at June 30, 2022	11,427,660	1,134,400	18,142,197	1,266,296	3,477,106	1,487,592	36,935,251
Depreciation							
As at July 1, 2020	2,949,414	414,575	4,682,826	533,279	1,550,604	308,702	10,439,400
Charge for the YR	759,008	179,956	668,227	91,627	272,220	99,111	2,070,150
As at June 30, 2021	3,708,422	594,531	5,351,052	624,906	1,822,825	407,814	12,509,551
As at July 1, 2021	3,708,422	594,531	5,351,052	624,906	1,822,825	407,814	12,509,551
Charge for the YR	964,905	134,967	639,557	80,174	496,284	134,972	2,450,859
As at June 30, 2022	4,673,327	729,498	5,990,610	705,080	2,319,109	542,786	14,960,410
Net Book Value							
As at June 30, 2022	6,754,333	404,902	12,151,587	561,216	1,157,997	944,806	21,974,841
As at June 30, 2021	5,313,058	539,869	12,696,310	641,390	635,181	693,780	20,519,587

14 INTANGIBLE ASSETS

	2022	2021
Cost	kshs	kshs
As at July 1, 2020	3,000,000	3,000,000
Additions	-	-
As at June 30, 2021	3,000,000	3,000,000
As at July 1, 2021	3,000,000	3,000,000
Additions	-	-
As at June 30, 2022	3,000,000	3,000,000
Amortisation		
As at July 1, 2020	2,000,000	2,000,000
Charge for the year	1,000,000	1,000,000
As at June 30, 2021	3,000,000	3,000,000
As at July 1, 2021	3,000,000	3,000,000
Charge for the year	-	-
As at June 30, 2022	3,000,000	3,000,000
Net Book Value		
As at June 30, 2022	-	-
As at June 30, 2021	-	-

15 TAXATION

Profit/(Loss) for the year	4,630,239	3,618,543
Add-Non Allowable Expenses		
Depreciation/Amortisation	2,450,859	2,070,150
Provision for Bad & Doubtful Debts	-	204,066
Sub Total	7,081,098	5,892,759

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Less: Non Taxable Income		
Grants	30,155,324	33,565,255
Wear & Tear Allowance	-	2,070,150
Sub Total	30,155,324	35,635,405
Taxable Income	(23,074,226)	(29,742,646)
16 PREPAYMENT (Payables)		
Kenya Power	37	931,142
Netpaq Business LTD	10,106	-
Total	10,143	931,142
17 INVENTORIES		
Stationery	68,580	23,650
O & M materials	81,410	6,370
Chemicals	177,290	208,452
Total	327,280	238,472
18 ELECTRICITY DEPOSITS		
AC NO 115673531	3,000	3,000
AC NO 115673590	5,000	5,000
AC NO 115673582	3,000	3,000
AC NO 118247945	300,000	300,000
Total	311,000	311,000
19 LICENCE PERFORMANCE GUARANTEE		
Regulator's Performance Guarantee	860,350	560,000
Total	860,350	560,000
20 TRADE & OTHER RECEIVABLES		
Water Debtors	24,491,975	24,543,805
Less: Provision of Bad Debts (10%)	(2,449,198)	(2,454,381)
Staff Advances	311,047	451,705
Total	22,353,824	22,541,130
Water Debtors Aging Analysis		
Less than 30 days	3,320,225	5,536,273
31 - 60 days	1,400,137	1,505,152
61 - 90 days	1,044,255	1,154,854
91 - 120 days	704,687	909,137

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Over 120 days			18,022,671	15,438,389
Total			24,491,975	24,543,805
21 CASH & CASH EQUIVALENT				
Cash at Hand				-
Cash at Bank				
Account NO	A/C Name	Bank		
1131111826	Revenue	KCB	105,588	60,157
1166504891	Expenditure	KCB	682,327	-
1166504514	Deposit	KCB	1,862,929	681,014
1177900262	Bowser	KCB	-	10,009
Sub Total			2,650,844	751,180
Pay Points				
0744130011694	Revenue	Post Bank	24,580	59,945
Cash at M PESA				
Pay Bill NO				
990720	Revenue	Safaricom	32,067	11,633
Total			2,707,491	822,758
22 SHARE CAPITAL				
Authorized Share Capital:				
5,000 ordinary shares at kshs 20@			100,000	100,000
Issued and Paid-up Shares Capital:				
5,000 ordinary shares at kshs 20@			100,000	100,000
23 RETAINED EARNINGS				
Balance B/F			(689,079)	(4,307,622)
Profit/(Loss) for the year			4,630,239	3,618,543
Balance C/F			3,941,160	(689,079)
24 CAPITAL GRANTS				
i Water Sector Fund				
	Public Sanitation Facilities		14,123,848	14,123,848
Bal B/F	Water Kiosks		2,735,015	2,735,015
	Tablets		155,400	155,400
	Computer		53,500	53,500
Additions				

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Bal C/F			17,067,763	17,067,763
II Nandi County Government				
	Water Meters		6,455,000	6,455,000
Bal B/F	Smart Phones		150,000	150,000
	Billing software		3,000,000	3,000,000
Additions			-	-
Bal C/F			9,605,000	9,605,000
Total			26,672,763	26,672,763
25 WATER DEPOSITS				
Balance B/F			5,339,000	5,132,000
Additions			123,000	207,000
Less: Refunds			-	-
Balance C/F			5,462,000	5,339,000
26 BANK OVER DRAFT				
Account NO	A/C Name	Bank		
1166514891	Expenditure	KCB	-	505,064
1177900262	Bowser	KCB	707	-
Total			707	505,064
27 PREPAYMENT (Receivables)				
Water Consumers			394,405	193,491
Total			394,405	193,491
28 TRADE & OTHER PAYABLES				
Trade Payables			10,155,895	9,739,301
OAG Kenya			1,678,000	1,678,000
Staff/Directors Payables			140,000	2,385,550
Total			11,973,895	13,802,851
29 NOTES TO STATEMENT OF CASH FLOWS				
i Reconciliation of operating profit to cash generated from (used in) operations				
Operating Profit/(Loss)			4,630,239	3,618,543
Provision for Depreciation	13		2,450,859	2,070,150
Operating Profit / (Loss) before Working Capital			7,081,098	5,688,694
Increase/Decrease in Prepayment (Payables)	16		920,999	(931,142)
Increase/Decrease in Inventories	17		(88,808)	(162,407)

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Increase/ Decrease in License Guarantee	19	(300,350)	(560,000)
Increase/Decrease in Trade & other Receivables	20	187,305	(1,748,174)
Increase in Water Deposits	25	123,000	207,000
Increase /Decrease in Bank Overdraft	26	(504,357)	505,064
✓ Increase/Decrease in Prepayment (Receivables)	27	200,914	(140,451)
Increase /Decrease in Trade & other Payables	28	(1,828,956)	(2,294,820)
Cash generated from/used in Operations		(1,290,252)	(5,124,930)
Net Cash generated from /used in Operating activities		5,790,846	563,764
ii Analysis of changes in Loans			
Balance B/F		-	-
Receipts during the year		-	-
Repayments during the year		-	-
Balance C/F		-	-
iii Analysis of changes of Cash and Cash Equivalent			
Short term Deposits		-	-
Cash at Bank		2,675,424	811,125
Cash at Paybill		32,067	11,633
Cash at Cash		-	-
Balance at end of the Year		2,707,491	822,758
30 PROVISION FOR BAD & DOUBTFUL DEBTS			
Water Debtors		24,491,975	24,543,805
Provision for Bad & Doubtful Debts (10%) for the year		2,449,198	2,454,381
Accumulated Provision Balance C/F		2,449,198	2,454,381
Accumulated Provision Balance B/F		2,454,381	2,250,315
Increase /Decrease in Provision		(5,183)	204,066

31 RELATED PARTIES DISCLOSURE

- ❖ County Government of Nandi
- ❖ Water Sector Fund
- ❖ WASREB
- ❖ WRA
- ❖ Key Management
- ❖ Board of Directors;

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	2022 kshs	2021 kshs
I County Government of Nandi		
Grants		
Electricity	7,731,172	23,043,146
Salaries & Wages	8,713,411	10,178,185
Sub Total	16,444,583	33,221,331
Water Bills		
Receivables	10,376,013	-
Sub Total	10,376,013	-
ii Water Sector Fund		
Kapsabet Sanitation Project		
Recurrent Expenses		
Administration	1,259,258	583,491
Subsidy 200 Units	4,000,000	3,680,000
Sub Total	5,259,258	4,263,491
Chemicals		
Assorted Chemicals	812,280	343,924
Sub Total	812,280	343,924
Conditional Liquidity Support Grants		
CLSG -COVID Support	12,898,461	-
Sub Total	12,898,461	-
iii Directors & Key Management Compensation		
Directors' Allowances	402,148	657,152
Directors' other Expenses	168,003	128,461
Compensation to Key Management	7,915,023	9,164,534
Sub Total	8,485,174	9,950,147

32 CAPITAL COMMITMENTS

There were no capital commitments or work in progress at the close of the year.

33 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 minimize 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

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to customers with an established credit history.

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

i. Credit Risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external assessment in accordance with limits set by the Directors.

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

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

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Company has significant concentration of credit risk on amounts due from the past due category

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.

ACCOUNT	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Receivables from Exchange Transactions	24,491,975	6,469,304	18,022,671	-
Bank Balances	2,707,491	2,707,491	-	-
Total	27,199,466	9,176,795	18,022,671	-
At 30 June 2021				
Receivables from Exchange Transactions	22,541,130	7,102,741	15,438,389	-
Bank Balances	822,758	822,758	-	-
Total	23,363,888	7,925,499	15,438,389	-

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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ACCOUNT	Less than 3 months	Between 3- 12 months	Over 1 yr	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	4,048,956	1,678,230	6,246,709	11,973,895
Provisions	2,450,859	-	-	2,450,859
Deferred Income	-	-	-	-
Total	6,499,815	1,678,230	6,246,709	14,424,754
At 30 June 2021				
Trade Payables	4,680,323	2,369,690	6,752,837	13,802,851
Provisions	2,274,216	-	-	2,274,216
Deferred Income	-	-	-	-
Total	6,954,539	2,369,690	6,752,837	16,077,067

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 Company's income or the value of its holding of financial instruments.

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

a) Foreign currency risk

The Company has no foreign risk as it does not deal with foreign currency.

b) 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. To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

Sensitivity Analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

The Company did not keep any deposits that could earn interest but maintained current account only

iv. Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company monitors capital using the gearing ratio calculated as net debt divided by total capital.

Net debt is the total of interest-bearing loans and borrowings, trade and other payables less

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cash and cash equivalents.

The Company capital structure comprises of the following funds:

ACCOUNT	2021-22	2020-21
	kshs	kshs
Revaluation Reserve	-	-
Retained Earnings	3,941,160	(689,079)
Capital Reserves	26,672,763	26,672,763
Share Capital	100,000	100,000
Total Funds	30,713,923	26,083,684
Total Borrowings	-	-
Trade Payables	11,973,895	13,802,851
Less: Cash and Bank Balances	(2,707,491)	(822,758)
Net debt/ (excess Cash and Cash Equivalents)	9,266,404	12,980,092
Gearing Ratio	30%	50%

34 EVENTS AFTER THE REPORTING PERIOD

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

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APPENDIX

APPENDIX I PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The financial statements and reports for FY 2020-21 for the Company were audited and the draft report had a qualified opinion

The following were the Auditors queries:

NO	QUERY	COMMENTS	FOCAL PERSON	STATUS	TIME FRAME
1	Property, Plant & Equipment	Company awaiting PDPs approval by the cabinet	GM	Not yet	2 yrs.
2	Water deposits	The water deposits are correct as indicated by the water deposits register only that the amount in deposits account is less than the register	FM	Not yet	Progressive
3	Non-Revenue water	Measures have been put in place to reduce water loss e.g., Master meters, quality pipes and urgent attendance to water bursts and leakages	CM/TM	40 %	Progressive
4	One third rule on staff establishment	Future recruitment to follow rule	HRM	Not done	Progressive
5	Internal Audit Function Audit committee	Internal audit done by the County The company also uses the County Audit committee	GM	NA	NA
6	Approved IT strategic & ICT steering committee	To be established	ICT Officer	Not yet	2 Yrs
7	Trade & other Receivables	Striving consumers to pay on time	CM	Reduced	Progressive
8	Trade & other Payables	Striving to pay creditors on time	FM	Reduced	2 Yrs
9	Bank Overdraft	Processing of payment on availability of funds	FM	Observed	NA

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APPENDIX II PROJECTS IMPLEMENTED BY THE COMPANY

During the year under review, the Company implemented Water Sector Fund Projects as listed below:

(i) Kapsabet House hold Sanitation project

This is a Sanitation project where 200 VIP toilets have been built and connected to the sewer system or septic tank

The Water Sector fund provided for administration and a subsidy of Kshs. 20,000 to each toilet

The funds received, disbursed and bank balances are tabulated below:

PROJECT	COST	FUNDS DATE	AMOUNT DISBURSED	BANK BALANCE 30.6.2022
Kapsabet House hold	5,306,962	24/12/2019	5,306,962	0
TOTAL	5,306,962		5,306,962	0