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REPORT

OF

THE AUDITOR-GENERAL

ON

**NAIROBI CITY WATER AND SEWERAGE
COMPANY LIMITED**

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

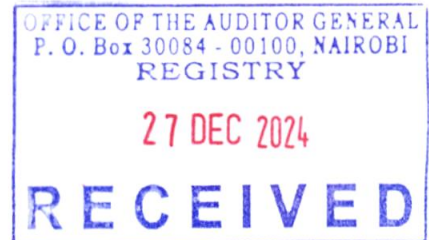
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NAIROBI CITY WATER AND SEWERAGE COMPANY LTD



Annual Report and Financial statements, For the year ending 30th, June 2024

2023 /2024



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

Annual Report and Financial statements

2023/2024

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1. Acronyms and Glossary of Terms

ARGC	-Audit, Risk & Governance Committee
AWWDA	- Athi Water Works Development Agency
BOD	- Board of Directors
BOM	-Board of Management
BPO	- Business Process Owner
CBOs	-Community Based Organizations
CCO	-County Chief Officer
CECM	- County Executive Committee Member
CMS	- Customer Management System
CIS	- Customer Identification Survey
CLSG	- Conditional Liquidity Support Grant
CRA	- Corruption Risk Assessment
CSR	- Corporate Social Responsibility
DESTW	- Dandora Estates Treatment Works
EAC	- The East African Community
EMDEs	- Emerging Markets and Developing Economies
GDP	-Gross Domestic Product
HRACC	-Human Resource, Administration & Communication Committee
IFRS	- International Financial Reporting Standards
ISO	- international organization standards
ITA	- Income Tax Act
KPI	-Key Performance Indicators
KRA	- Kenya Revenue Authority
KFS	- Kenya Forest Service
MBA	- Master of Business Administration
MFA	- Mobile Field Assistant

NCCG- Nairobi City County Government

NCWSC-Nairobi City Water and Sewerage Company

NRW- Non Revenue Water

OVI-Objectively Verifiable Indicators

OSHA - Operational, Health and Safety Act

PC- Performance Contract

PFM – Public Finance Management

TAT -Turn Around Time

UM -Utility Master

WARIS - Water Regulatory Information System

WASREB- Water Services Regulatory Board,

WaSSIP-Water and Sanitation Services Improvement Project

WSTF- Water Sector Trust Fund

WHO- World Health Organisation

2. Key Corporate Information

Background information

The Nairobi City Water and Sewerage Company Ltd is incorporated in Kenya under the Companies Act of the Laws of Kenya. It is a private limited liability Company domiciled in Kenya. It is wholly owned by the Nairobi City County Government.

Principal Activity

The Company provides water and sewerage services in Nairobi and its environs.

Our Vision

To be a world class provider of water and sewerage services.

Our Mission

Provide reliable quality water and sewerage services in an environmentally friendly manner that delights customers within Nairobi City County.

Our Core values

- Accountability
- Customer Focus
- Commitment
- Creativity and innovation
- Integrity
- Professionalism
- Teamwork

DIRECTORS

The Board of Directors who served during the period were as is listed below;

	Name	Title	Remark
1.	Arnold Karanja	Chairperson	Appointed on 26 th April 2023
2.	Beryl Lillian Okumu Odinga	Vice-Chair	Appointed on 26 th April 2023
3	CEC Member – Finance & Economic Planning, Nairobi City County Government.(Charles Kerich) Alternate: County Chief Officer – Finance, Nairobi City County Government (Asha Abdi)	Member	Appointed on 26 th April 2023
4	CEC Member – Green Nairobi (Environment, Water, Food and Agriculture), Nairobi City County Government (Ibrahim Auma Nyangoya) Alternate: County Chief Officer, Water & Sewerage, Nairobi City County Government (Oscar Omoke)	Member	Appointed on 26 th April 2023
5.	Cedric Alaro	Member	Appointed on 26 th April 2023
6.	Johnstone A.Mukabwa	Member	Appointed on 26 th April 2023
7.	Robow Hassan Mohamed	Member	Appointed on 26 th April 2023
8.	Emmah Mukuhi Muthoni	Member	Appointed on 26 th April 2023
9	Rose Esther Muthoni Wamuiya	Member	Appointed on 26 th April 2023
10	Eng. Nahason M.Muguna	Managing Director	Appointed 27 th May 2020

Principal Place of Business & registered Office

Kampala Road, Industrial Area
P.O. Box 30656 – 00100, Nairobi, Kenya
Email: info@nairobiwater.co.ke
Website: www.nairobiwater.co.ke

Bankers

Co-operative Bank of Kenya Ltd
Enterprise Road Branch
P.O. Box 67881– 00200, Nairobi, Kenya.

Equity Bank (K) Limited
Equity centre, Hospital road, upper hill
P.O Box 75104-00200 Nairobi, Kenya

Absa Bank of Kenya PLC
Absa Headquarters, Waiyaki Way
P.O Box 30120-00100, Nairobi Kenya

Citibank N.A
Citibank House, Upper Hill Road
P.O Box 30711-00100, Nairobi, Kenya

NCBA Limited
NCBA Centre, Mara & Ragati Road
P.O Box 44599-00100 Nairobi, Kenya

Sidian Bank Limited
K-rep Centre, Kilimani Road
P.O Box 25363-00603 Nairobi, Kenya

Kenya Commercial Bank Ltd
KICC Branch

Family Bank
Kenyatta Avenue Branch

Bankers (Continued)

Diamond Trust Bank Limited
Diamond Trust House, P.O Box -00100
Nairobi,

I& M bank Ltd,
One park (Parklands)

Housing Finance
Rehani House, Kenyatta Avenue P.O
Box 30088-00100 Nairobi, Kenya

Company Secretary

Assumpta M. Reuben
P.O Box 30656-00100, Nairobi

Principal Legal Advisor

Attorney General





Auditor


Auditor General
Office of the Auditor General
12th Floor, Anniversary Towers
University Way
P.O Box 30084-00100, Nairobi,
Kenya.





3. The Board of Directors

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

The Board of Directors who served during the year is listed below: -

	NAME	Qualifications and experience	Status
1	 Arnold Karanja Chair (DoB 1988)	Master of Laws (LLM) in International Commercial Law, IT Governance(UK):International Board for IT Governance Qualifications for EU GDPR,LLB, Pg Diploma in Law	Appointed on 26 th April 2023
2	 Beryl Lillian Okumu Odinga Vice-Chair (DoB 1953)	LLB,Post graduate diploma in Law Chair - Kenya Railways Staff Retirement Benefit Scheme Deputy Town Clerk -City of Mutale, Zimbabwe Legal Advisor - Urban Development Corporation (Harare Zimbabwe) Deputy CEO - Chitungwiza Town Council (Zimbabwe) Board Chair-NCWSC	Appointed on 26 th April 2023
	 Charles K.Kerich (DoB)	CEC Member – Finance & Economic Planning, Nairobi City County Government	Appointed 26 th April 2023
	 Ibrahim Auma Nyangoya (DoB)	CEC Member – Green Nairobi (Environment, Water, Food and Agriculture), Nairobi City County Government	Appointed on 26 th April 2023




NAME	Qualifications and experience	Status
<p>Asha Abdi (DoB)</p> 	<p>MBA(Leadership Development), Master of Arts(Project Planning Management),Bachelor of Economics</p>	<p>Appointed 26th April 2023</p>
<p>Oscar Omoke</p> 	<p>Bachelor of Arts County Chief Officer, Water & Sewerage, Nairobi City County Government</p>	<p>Appointed 26th April 2023</p>
<p>3 Johnstone A. Mukabwa (DoB 1969)</p> 	<p>Bachelor of Science in Public Management Chair HRAC Committee (Ncwsc Ltd)</p>	<p>Appointed on 26th April 2023</p>
<p>4 Emmah Mukuhi Muthoni (DoB 1983)</p> 	<p>BCOM, Business Administration DIP County Executive Committee Member -Nairobi City County Government Head of corporate services - Toddy Civil Engineering Chief Financial Controller- Toddy Civil Engineering Chair-Human Resource, Administration & Communication Committee at NCWSC w.e.f from Feb-22 Chair Finance Committee</p>	<p>Appointed on 26th April 2023</p>
<p>5 Cedric Alaro (DoB 1980)</p> 	<p>MBA (Strategy & Marketing), BSc. Civil Engineering, Diploma in Management of Information Systems (IMIS),Certificate in Construction Project Management Chair TC & ICT Committee (Ncwsc Ltd)</p>	<p>Appointed on 26th April 2023</p>

	NAME	Qualifications and experience	Status
7	Robow Hassan Mohamed (DoB 1977)	Degree in Development Studies	Appointed 26 th April 2023
			
8	Rose Esther Muthoni Wamuiya (DoB 1985)	LLB, Pg Diploma in Law Chair ARGC Committee	Appointed on 26 th April 2023
			
18	Eng Nahason M. Muguna (DoB 1965)	Managing Director Msc-Eng, MBA, Bsc.(Mechanical Eng)	Appointed May 2020
			
19	Assumpta M. Reuben	Ag. Company Secretary MBA (Strategic Management), LLB(Hons), Post Graduate Diploma in Law, Higher Dip in (HRM)	Wef 1 st July 2022
			

4. Key Management Officers

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

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

Name	Title	Qualification
Eng. Nahason M. Muguna 	Managing Director	Msc-Eng, MBA, Bsc.(Mechanical Eng)
Monica N. Tuli 	Director Human Resources and Administration	Msc (HRM), Bachelor of Arts , Higher Dip (HRM),CHRP
Paul Evans Omondi 	Director Financial Services & Strategy	MBA (Strategic Management),B.Com (Finance), CPA(K)
Josiah W. Gitu 	Ag. Director Commercial services	Master of Arts (Project Planning and Management), Bachelor of Education (Science)

Eng. David M. Manore	Ag. Director Technical Services	Bsc. (Civil Engineering), Registered professional Engineer
		
Martin W. Nangole	Director Information & Communications Technology	Masters in IT, Bsc.(Computer science), CISCO,MCP
		
Martha Kibui	Ag .Director Internal Audit & Risk Management	MBA (Strategic management), BA. (Economics in Accounting), CPA (K), Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), Diploma in Forensic Accounting.
		
Assumpta M. Reuben	Ag. Company Secretary	MBA (Strategic Management), LLB(Hons), Post graduate diploma in Law, Higher Dip in (HRM)
		

Under the above named directorates, the company structure is reinforced by several business process units which are headed by respective managers with a mandate of overseeing actualization of the company mission.

5. Chairperson's Statement on 2023/2024 Financial Accounts and Report

Global Macroeconomic Overview

According to the 2024 Kenyan Economic Survey, the World Gross Domestic Product (GDP) slowed to 3.1% in the year 2023 compared to 3.5% in the year 2022. The slowdown was more pronounced across advanced economies than in Emerging Markets and Developing Economies (EMDEs). India registered real GDP growth of 6.7%, followed by China's 5.2%, 3.1% was the real GDP growth for Brazil while 2.4% and 0.5% was the GDP growth attained by United States of America (USA) and United Kingdom (UK) respectively.

Within East Africa Community (EAC), the average real GDP growth was 4.93% which was a slight improvement by 0.03% from 4.9% growth reported in the year 2022. Rwanda recorded the highest growth of 6.2% followed by Kenya with 5.6%, Tanzania 5.2% while 4.6% and 3.3% real GDP growths were realized in Uganda and Burundi respectively.

Broadly, it is observed that World inflation eased to 6.8 per cent in 2023 from 8.7 per cent in 2022 partly due to lower energy prices, easing of the supply chain disruptions and a tighter monetary policy to reduce aggregate demand for goods.

Kenyan Economy Overview

During the financial year under review, the country's real GDP grew by 5.6% compared to a revised growth of 4.9% in 2022. In terms of sector share contribution, the service industry which includes provision of water services, claimed 55.4%, followed by agricultural sector 21.85% and 16.8% by the industrial activities, while other sectors contribution share was 6%.

In the year under review, the country's estimated population increased by 0.9% from 50.6 million in the year 2022 to 51.5 million in the year 2023. GDP per capita was US\$ 2,097.

The Bottom Up Economic Transformation Agenda (BETA) for the period 2022-2027 whose aspiration is a united, peaceful, free, just and prosperous nation; acknowledges that water is an essential service as envisaged in the Constitution of Kenya, 2010. BETA has prioritized financing of water projects through grants and concessional loans.

The fourth Medium Term Plan for Inclusive Growth (2023 – 2027) water and sanitation sub sector is focused to “ensure water and improved sanitation availability and access to all by 2030”.

Water and Sanitation Subsector Overview

During the period under review, water supply, sewerage and waste management sector activities contribution to the GDP improved marginally by 0.43% from Ksh 64,742 million recorded in the year 2022 to Ksh 65,019 million in 2023. However, the water sector’s percentage contribution to the broad national GDP dropped by 0.1% from 0.5% attained during the year 2022 to 0.4% in the year under review.

The total number of water boreholes drilled in the country in the period of reporting increased by 3,770 from 42,086 in the year 2022 to 45,856. The total volume of water abstracted increased from 32.4 billion cubic meters in the year 2022 to 32.5 billion. Surface water abstracted in year under review accounted for more than 90% of the total volume of water abstracted, with the rest being abstracted from ground water. Abstraction of ground water increased to 243.9 million cubic meters in 2023 from 230.8 million cubic meters in the year 2022.

Overall, access to improved water has been on a steady rise from 2019 to 2023. Water coverage increased by 8%, from 69% in the year 2022 to 77% in 2023. The sewerage coverage in the urban areas increased by 6.5% from 26.5% in the year 2022 to 33% in the year 2023. The average national Non-Revenue Water (NRW) reported during the period remained constant 45%

Synopsis of Nairobi City Water and Sewerage Performance

Notwithstanding the global, regional and domestic challenges that impacted the broad economic growth in the period under review, the company registered positive strides in most of water sector key performance indicators. This performance is attested by the company’s alignment to the broader regulatory interventions and governance initiatives outlined by the Water Services

Regulatory Board (WASREB). These included tariff reviews, capacity building and the adoption of new technologies to enhance service delivery and operational efficiency. The quality of drinking water was 98% which is above the World Health Organization (WHO) recommended standard of 95%. This highlights the company's commitment to delivering safe quality drinking water. The metering ratio stood at 100%, demonstrating that all connections are metered, which is crucial for accurate billing and a critical in the fight against high NRW. However, the company faces chronic challenge in its management of high NRW which stood at 48% during the period under review. This figure remains high indicating that the company loses water substantially through leaks, theft or unbilled consumption. The Company is consolidating all external and internal concerted efforts to address the issue of NRW which is crucial for improving water supply reliability and financial performance of the company.

Conclusion and Way Forward

As the Company puts all concerted efforts for sustainable provision of water and sewerage services, I wish to express my appreciation to our esteemed customers for their continued trust and support, which motivate us to achieve even greater heights. Furthermore, I wish to thank our key stakeholders including our principal, Nairobi City County Government, the National Government including the relevant agencies like Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF) and Water Resources Authority (WRA) and all international and local development partners for their unwavering support, guidance, and collaboration. Last but not least, I would like to extend my heartfelt gratitude to our dedicated management and staff for their tireless efforts and commitment to our mission. Together, we will continue to work towards improving water and sanitation services for the people of Nairobi and contributing to the overall development of our city.



Arnold Karanja

Chairman

6. Report of the Managing Director

Introduction

The financial year 2023/2024 marked the culmination of our company's 5th, five-year strategic plan, which began in 2019/2020 and concluded in June 2024. Throughout this period, our company remained steadfast in its commitment to advancing both international and domestic water and sanitation goals, specifically aiming to ensure adequate and quality water access for all by 2030.

Key Achievements

During the financial year 2023/2024, the company sustained high production levels by adhering to rigorous maintenance schedules and responding promptly to reactive maintenance needs. The production level during the year was 186 million cubic meters.

During the same period, the company adequately stocked Laboratories with necessary detergents and chemicals and undertook regular sampling and testing of both pre-treated and post-treated water as per the established schedule. As a result, the water quality produced during the period under review achieved 98% compliance above the 95% recommended by World Health Organization (WHO) and Kenya Bureau of Standards (KEBS).

To address the ever-growing demand for water, the company undertook 48 KMs and 7 KMs of water and sewer pipeline extensions and rehabilitation respectively. Further, the company enhanced its equitable distribution program.

The company's customer base increased by 4,121 number of new connections from 246,546 customers in the previous year to 250,667. The company demonstrated a steady increase in the amount billed increasing from Kshs 9.6 billion in 2022/23 to Kshs 10.77 billion in 2023/24. This consistent improvement highlights the company's robust billing mechanism.

The company enhanced its technological innovations and uptake and continued engaging with customers electronically via mobile phones for sending bills, disconnection notices, and facilitating bill settlements. In addition, the company complied fully to the customer service charter, mainly due to diligent follow-ups on customer complaints, ensuring resolution within the

stipulated Turn Around Time (TAT). The company's meter reading and billing efficiencies during the period under review were reported at 83% and 84% respectively.

During the period under review, against a target of training 3,500 No of staff 3,200No were trained translating to 85% performance. Among the key areas of trainings were for the critical staffs to seamlessly operate BASIS II, ensuring that employees were well-equipped to leverage this technology effectively. It is hoped that the staff who benefited in training will cascade the skills acquired to their peers and hence boost productivity.

To create supportive work environment and ensure compliancy to Operational, Health and Safety Act (OSHA) 2007, the company procured and issued personal protective clothing to all eligible staffs. In addition, the company fleet was regularly maintained per schedule and fueled to sustain effective service delivery.

Revenue collection processes were enhanced through daily monitoring, reconciliation, and control measures. The company recorded a revenue collection of Ksh 10.75 billion resulting into collection efficiency of 99.81%.

During the review period, the Company successfully submitted Quarterly Performance Contract data and Water and Sanitation Services Improvement Project (WaSSIP) reports. Additionally, the company ensured timely submission of the annual Water Regulatory Information System (WARIS) data that was part of impact 16 report by WASREB.

Recognizing the critical importance of data security, the company maintained robust measures for Offsite Backup, Data Replication (DR), and Cloud Backup implementation. These measures were essential in safeguarding sensitive information and ensuring business continuity in the event of a disaster.

The Company ensured that all procurement and disposal activities were conducted with the highest levels of transparency and accountability adhering to the Public Procurement and Disposal Act 2015.

The company continued to uphold stringent internal quality management audits throughout the year. Regular training sessions were conducted to ensure staff were well-versed with quality management documentation procedures as stipulated by ISO 9001:2015 standards. This commitment to quality ensured that the company's operations met international standards, contributing to its overall efficiency and effectiveness.

During the financial year 2023/24, the Company continued to uphold exemplary corporate governance standards. The Board of Directors, composed of nine members, diligently executed their mandate by focusing on policy formulation and strategic oversight. Regular meetings were held to ensure that all decisions aligned with the company's objectives of improving water and sewerage services in Nairobi.

A comprehensive performance evaluation of the Board was conducted during this period. The evaluation highlighted the Board's effectiveness in guiding the company through various challenges, including the implementation of key infrastructure projects and the enhancement of service delivery standards. The evaluation also underscored the Board's commitment to transparency and accountability, which are crucial to the company's long-term sustainability.

Further, to promote continuous improvement and effective performance, the Internal Audit and Risk Management Directorate played a critical role in monitoring and assessing the implementation and effectiveness of company policies, systems, and procedures. This function, was instrumental in identifying risks and proposing mitigation strategies. In alignment with the company's commitment to corporate governance, the directorate conducted a comprehensive Corruption Risk Assessment (CRA) during the year under review. The findings were compiled into a CRA report, complete with mitigation plans, and submitted to the Ethics and Anti-Corruption Commission (EACC). Additionally, the directorate intensified efforts to raise awareness of integrity among staff members, coupled with capacity-building initiatives, ensuring that the entire Company workforce moved in unison towards upholding corporate governance principles.

The company significantly strengthened its collaborative partnerships and networks with various stakeholders at international, regional and national levels. These efforts fostered knowledge

exchange and facilitated the sharing of best practices in water and sewerage services management. The company hosted several benchmarking visits from both international entities and local water service providers, enhancing its profile and reputation as a leader in the sector. One of the greatest impact out of this collaboration was boasting of our security function with the support of national government Water Police Unit.

During the period under review, though the Company met its operational financial obligations, it posted negative net results mainly due to inadequate tariff and high third parties obligations.

Key Challenges and Opportunities

During the period under review, the Company continued encountering numerous challenges, including the lingering effects of the COVID-19 pandemic, which continued to destabilize the business environment. We also faced the gradual but severe impacts of climate change, low investment in the water sector, high operational costs, and high levels of Non-Revenue Water which stood at 48%. However, through continuous evaluation and realignment of our strategies, we have managed to mitigate interruptions in water and sewerage services within Nairobi, ensuring that we stay on course toward our long-term objectives.

Conclusion

In conclusion, I would like to appreciate and acknowledge the unwavering and continuous support the Company received from all internal and external stakeholders led by the Ministry of Water, Sanitation, and Irrigation whose leadership and vision have been crucial in guiding our efforts to meet both national and international water and sanitation goals. I am also deeply grateful to the Water Services Regulatory Board (WASREB) for its oversight and guidance. Their role in regulating our operations has been invaluable in maintaining the standards of service delivery that our customers expect and deserve. Similarly, special thanks goes to the County Government of Nairobi for its collaboration and support in our efforts to improve water and sanitation services for the residents of Nairobi. Our partnership remains vital as we work together to address the growing demand for these essential services.

Internally, I would like to express my sincere appreciation to the Board of Directors for their strategic guidance and steadfast support. Their leadership has been critical in steering the company through a complex operational environment, ensuring that we continue to deliver on our mandate. Further, I would like to extend my heartfelt gratitude to all my members of Board of Management and our entire dedicated staff, whose commitment and hard work have been instrumental in navigating the challenges and achieving the successes of the financial year 2023/2024. Our combined resilience and determination have enabled us to maintain our course towards our strategic goals.

Lastly, I wish to thank our invaluable customers whose trust and confidence in our services drive us to strive for excellence every day. We remain committed to improving our services and ensuring that their needs are met with the highest levels of quality and reliability.

As we move forward, I am confident that with the continued support of all our internal and external stakeholders, Nairobi City Water and Sewerage Company will not only meet but exceed the expectations of the communities we serve, contributing to a more sustainable and equitable future for all.



Eng. Nahason M. Muguna
Managing Director

7. Statement of Performance against Predetermined Objectives for FY 2023/2024

NCWSC pursued seven strategic thematic areas from the Strategic Plan for the period 2019/20 – 2023/24. The Strategic Plan has 46no objectives, whose implementation is assessed using via 251 activities and 235No Key Performance Indicators (KPIs) or Objectively Verifiable Indicators (OVIs). These strategic objectives are implemented through the annual performance contracts and work plans for each year.

In the FY2023/24, the Company was implementing the final year of the 2019/20 – 2023/24 Strategic Plan. The estimated implementation status during the year was 63.2% as summarized in the table below and detailed attached annex. Generally, the overall performance was enhanced by effective support from County and National governments and other development partners and effective leadership and service delivery from the Board of Directors, Board of Management and all staffs. But its implementation was also adversely affected by high (76%) dependence on external resources especially for infrastructure development and spillover effects of COVID 19 Pandemic.

Table 4: Internal estimates of implementation of 2019/20 – 2023/24 Strategic Plan

Strategic Themes	No of Strategic Objectives	No. of Activities	No. of Key Performance Indicators (KPIs) or Objectively Verifiable Indicators (OVIs)	FY 2023/24 Estimated Achievements	REMARKS
THEME 1 -WATER SOURCES, TREATMENT, TRANSMISSION AND DISTRIBUTION	8	65	42	73%	NCWSC is actively exploring funding through PPP to plug the financing gaps.
THEME 2-WASTE WATER NETWORKS, CONVEYANCE AND TREATMENT	6	52	51	61%	
THEME 3-NON-REVENUE WATER	1	26	28	62%	French Development Agency (AFD) funding through AWWDA with most procurement completed, awaiting contract signing Exploring more funding through PPP
THEME 4-CUSTOMER FOCUS & STAKEHOLDER ENGAGEMENT	5	23	24	66%	The new Utility Master (UM) has greatly impacted the customer management process
THEME 5- GOVERNANCE AND CAPACITY DEVELOPMENT	9	35	36	86%	The BOD and its Committees and the Board charter are in place and complied with. Staff Team buildings were carried out to enhance productivity
THEME 6-ICT & OTHER INFRASTRUCTURE	9	37	37	42%	Continuous system integration enhance service delivery
THEME 7-FINANCIAL STEWARDSHIP	8	13	17	54%	Improved revenue collection owing to improved business and tariff review
OVERALL IMPLEMENTATION STATUS	46	251	235	63.2%	Mainly affected by spillover effects of COVID-19 and inadequate funding for most targeted projects.

Source: NCWSC Internal Estimates



8. Corporate Governance Statement

The Company is committed to the standards of good corporate governance. The following disclosures aim at emphasizing this commitment.

Role of the Board

The Board is responsible for:

- Establishing the strategic plan and guiding its implementation.
- Ensuring that appropriate management structures and policies are in place.
- Approving performance targets including budgets and monitoring their achievements.
- Ensuring preparation and presentation of the annual financial statements in accordance with International Financial Reporting Standards and disclosures of other relevant information to shareholders.
- Identifying and mitigating risks and overseeing the implementation of governance processes that promote compliance with legislation, professional standards and the best corporate governance practices promulgated by relevant authorities.

Composition of the Board

The Board is composed of eleven non-executive Directors who are appointed by the shareholder in line with applicable provisions. The Board members elect the Chairman. The Managing Director is ex-officio member of the Board with no voting rights. All the non-executive Directors are independent of management.

Roles of the Chair and the Managing Director

The roles of the Chair and the Managing Director are separate, with each holder having distinct and clearly defined duties and responsibilities.

The Chair is responsible for leadership of the Board and ensuring its effectiveness while safeguarding the interests of the shareholder and other stakeholders. On the other hand, the Managing Director has overall responsibility for the performance of the business and provides leadership to management to facilitate successful planning and execution of the objectives and strategies agreed by the Board.

Board meetings/activities

The Board and its committees meet once every quarter as scheduled, but special meetings may be called when need arises. The members are given notices and agenda for all meetings, which are circulated on a timely basis together with the respective documents for discussion. Members of the Board are required to declare any conflict of interest on issues for deliberation and are disqualified from participating in deliberations where such conflict exists.

Board remuneration

- i. The directors are entitled to a sitting allowance, lunch allowance and transport allowance for attending a duly convened and constituted meeting of the Board meeting, meeting of committees or of any official event/duties.
- ii. The chairperson receives a monthly honorarium.
- iii. Sustenance and sitting allowance is paid to non-executive directors for any day of travel from regular station in order to attend to duties of the company.
- iv. Medical insurance cover is provided to all non-executive directors for their individual medical requirements for both inpatient and outpatient.

Number of meetings held during the period

S/No.	Board	Meetings held while in office	No. of meetings Attended
1	Arnold Karanja	15	14
2	Beryl L. Okumu	15	13
3	CEC/CCO - Finance	15	7
4	Emmah M. Mukuhi	15	15
5	Robow Mohamed	15	9
6	CEC/CCO - Water	15	14
7	Cedric K. Alaro	15	14
8	Johnstone A. Mukabwa	15	15
9	Rose E. Wamuiya	15	14

Technical, Commercial & ICT Committee

S/No.	Technical, Commercial & ICT Committee	Meetings held while in office	No. of meetings Attended
1	Cedric Alaro	5	5
2	CEC/CCO - Water	5	5
3	Robow Mohamed	5	4

Finance Committee

S/No.	Finance Committee	Meetings held while in office	No. of meetings Attended
1	Emmah Mukuhi	10	10
2	CEC/CCO - Finance	10	6
3	CEC/CCO - Water	10	10

Human Resource, Administration & Communication Committee

	Member	Meetings held while in office	No. of meetings Attended
1	Johnstone A. Mukabwa	9	9
2	CEC/CCO - Water	9	8
3	Robow Mohamed	9	8

Audit, Risk & Governance Committee

	Member		Total
1	Esther Wamuiya	4	4
2	Beryl Okumu	4	3
3	Eric Omondi (Co-opted)	4	4
4	Phares Chege (Co-opted)	4	4

Key achievements for FY2023/2024

Focus for the Board's activities and topics discussed during the year included the following matters:–

- i. Execution of a performance contract with NCCG.
- ii. Approval of budget for FY2023/2024.

- iii. Approval of Procurement and Asset Disposal Plan for FY2023/2024.
- iv. Restructuring of the regions to enhance efficiency.
- v. Consideration and approval of key policies:
 - Leadership & Integrity Code
 - Drugs, Alcohol & Substance Abuse Policy
 - Anti-Corruption Policy
 - Whistle Blowing Policy
 - Succession Policy
 - Knowledge Management, Coaching & Mentorship Policy
 - Gift Policy
 - Conflict of Interest Policy
 - Sexual Harassment Policy

Board Induction and development

Each director is provided with a comprehensive and tailored induction covering the Company's business and operations; the applicable legal and regulatory obligations; and special focus on corporate governance. In addition, other workshops/trainings were held on corporate governance, Mwongozo, etc.

Board Committees

The Board appoints committees to assist in executing its mandate. The board has four committees as follows;

i) Audit, Risk and Governance Committee

The committee is comprised of three (3) board members, 2 *Co-opted* members, and the Director Internal Audit and Risk Management who serves as the secretary to the committee.

The Committee reports to the Board of Directors: It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

- Internal Control and risk management including reviewing the risk philosophy, strategy and policies recommended by the Company. The Committee ensures compliance with such policies and with the overall risk profile of the Company.

- Reviewing financial information in particular annual financial statements to ensure compliance with accounting standards, legislation and other disclosure requirements.
 - Reviewing the external auditors' proposed audit scope and approach and ensuring no unjustified restrictions or limitations have been placed on the scope.
- Reviewing the function, operations and reports of the Internal Audit Directorate.

ii) Finance Committee

The committee is composed of 3 board members. The Committee assists the Board in discharging its responsibilities as follows:

- Consider and recommend for Board approval, the financial services policies for the Company.
- Receive and consider progress reports on financial services matters.
- Consider and recommend for Board approval, the financial budgets for the Company.
- Receives and considers periodic financial performance reports of the Company.
- Adjudicates on any financial policy matters referred to it by management.
- Ensures compliance at all times with the provisions of the Companies Act under which the Company is registered, Company's Memorandum and Articles of Association and the prevailing regulatory framework
- Provide advice and counsel to the Board as required on legal issues.
- Advise the Board on measures to be taken in order to comply with legal provisions as provided for by various pieces of legislation

iii) Human Resource, Administration and Communication Committee

The committee is composed of Three (3) board members. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Reviewing and recommending for approval terms and conditions of service for Company employees including compensation philosophy, strategy, and guidelines; performance related pay schemes; retirement benefits;
- Handling policy issues and strategies on human resource and administration e.g. creation of a long term human resource skills and competency reservoir; succession planning; safety and physical working conditions

- Assisting and supporting the Board in the recruitment of senior management staff;
- Assisting the Board in fulfilling its obligations relating to human resource and compensation matters and establish a plan for continuity and development of staff;
- Recommending a performance evaluation process for the Chief Executive Officer and, when approved, leading the process in conjunction with the Board Chair;
- Reviewing major changes in the organization structure as proposed by the CEO and/or the Committee
- Ensuring that policies are developed and implemented to comply with all human resource-related standards, laws and regulations;
- Considering progress reports on human resource and administration issues and keeping the Board updated on fundamental human resource and administration issues affecting the Company;
- Ensuring effective company communication to the public that promotes correct corporate image and good stakeholder relations including the use of exhibitions, technical conferences, Company's publications and documentaries.

iv) Technical, Commercial and ICT Committee

This is composed of Three (3) non-executive directors. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Reviewing all ICT, technical and commercial proposals from the management team that focus on improving water and sewerage services that would require Board's approval for implementation.
- Subject to all applicable laws, reviewing proposals for procurement of infrastructure, development and support.
- Deliberating on progress reports for projects being implemented by the NCWSC with a view to providing guidance to the management and the Board.
- Considering and recommending for full Board approval ICT, technical and commercial services policies of the Company.
- Receiving and considering periodic progress reports on technical, commercial and ICT-related activities and report on the same to the full Board on quarterly basis.

- Giving guidelines/opinions to the management on areas of improvement as far as ICT, technical and commercial activities are concerned.
- Ensuring, on behalf of the Board, that the Company achieves the set annual targets in water production, water distribution, revenue generation, market growth and customer satisfaction.
- Reviewing the performance of the ICT, Technical and Commercial Directorates and recommending action to be taken for improvement and enhancement of the performance.
- Evaluating reports on the dams, treatment works as well as on the networks of water pipelines and sewer lines on a quarterly basis.

Internal Audit Function

The Company has an Internal Audit function headed by the Director Internal Audit and Risk Management. The function is responsible for evaluating business and operating risks and the internal controls put in place to mitigate the risks. It is also responsible for evaluation of the Company policies and procedures. The function reports to the Board Audit and Governance Committee and administratively to the Managing Director.

Directors' Benefits and Loans

All the non-executive Directors received Directors' remuneration as prescribed and no additional benefits or allowances were given to the Directors. The aggregate amount of Directors' remuneration is disclosed in notes 15 and 31 to these financial statements.

9. Management Discussion and Analysis

Company Profile

Nairobi City Water & Sewerage Company (NCWSC) Ltd is mandated to provide clean water and sewerage services to the residents of Nairobi City County in a financially sustainable manner, adhering to government regulations. The company served its customers through seven administrative regions: Northern, Eastern, North Eastern, Central, Southern, Western, and Informal Settlements. These regions are further divided into 28 sub-business units (zones) and sub-zones, ensuring comprehensive coverage across the county.

Organizational Structure

The company is led by the Managing Director, who reports directly to the Board of Directors (BOD). The Managing Director is responsible for overall leadership and chairs the Board of Management (BOM), which comprises the heads of the company's eight directorates:

1. Technical Directorate
2. Commercial Directorate
3. Finance and Strategy Directorate
4. Human Resource and Administration Directorate
5. Managing Director's Directorate
6. Information Communication and Technology Directorate
7. Legal and Company Secretary's Directorate
8. Internal Audit and Risk Management Directorate

Supporting these directorates are various business process units, each managed by a Business Process Owner (BPO) responsible for ensuring the achievement of the company's mission and objectives.

Strategic Alignment

NCWSC's operations are guided by a strategic business plan aligned with key international and national development frameworks, including Sustainable Development Goal (SDG) six, Kenya's Vision 2030, the 2021 National Water Sector Policy, and Nairobi City County's Integrated Development Plan, among other relevant water and sanitation sector policies.

The company's annual performance is monitored and evaluated quarterly through a Performance Contract (PC) signed between NCWSC and its principal, ensuring that the company remains on track to achieve its strategic objectives while delivering essential services to the residents of Nairobi City County.

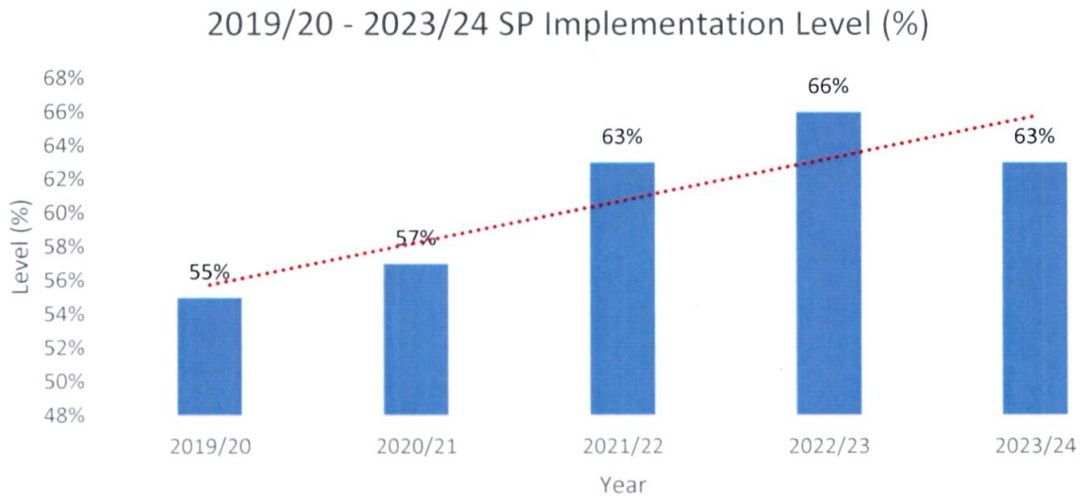


Strategic Plan (2019/020 – 2023/024) Broad Performance Overview

During the concluded five-year rolling strategic plan (2018/19 to 2023/24), Nairobi City Water & Sewerage Company (NCWSC) focused on seven key thematic areas:

1. Water Sources, Treatment, Transmission, and Distribution
2. Waste Water Networks, Conveyance, and Treatment
3. Non-Revenue Water Management
4. Customer Focus and Stakeholder Engagement
5. Governance and Institutional Capacity Development
6. ICT and Other Support Infrastructure
7. Financial Stewardship

The Company anchored its plans on these themes to enhance service delivery and operational efficiency. Despite various challenges, NCWSC achieved an overall performance that ranged from 55% in 2019/20 to 66% in executing its strategic initiatives as indicated in the graph below. During the period under review, Strategic Plan implementation was internally estimated at 63.2%. Key impediments to full realization of the Strategic Plan targets included the negative effects of COVID 19 Pandemic and high (76%) external resources reliance especially for development of water sources and complimentary transmission and distribution infrastructure.



Analysis of Core Key Performance Indicators

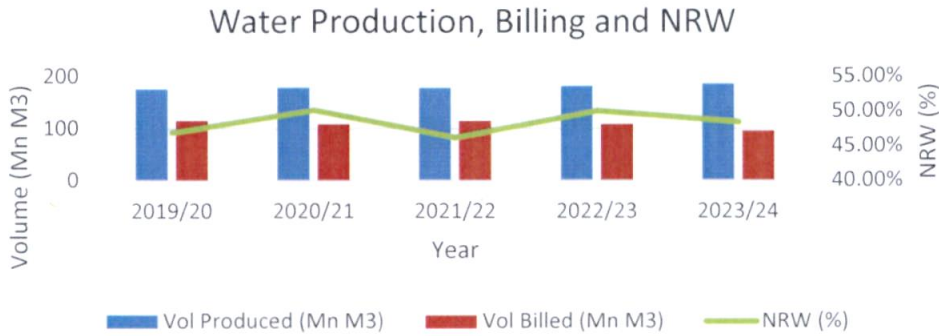
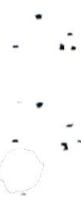
Water Production, Billing, and NRW (2019/20 - 2023/24)

The Bar graph below provides a comparative analysis of water production, water billed, and Non-Revenue Water (NRW) percentages over the five financial years from 2019/20 to 2023/24. Water production remained relatively stable throughout the period, fluctuating slightly around 170 million cubic meters. The highest production level was recorded in the 2020/21 and 2022/23 financial years, with production peaking slightly above 170 million cubic meters. In the year 2023/24, water production continued to be robust, maintaining a level similar to the previous high years.

There was a noticeable gap between water produced and water billed each year, indicating losses or unbilled consumption. The volume billed has shown a gradual increase over the years, rising from approximately 100 Mn M3 in 2019/20 to about 120 Mn M3 in 2023/24. The upward trend in billed water suggests improvements in either metering, billing processes, or both.

Non-Revenue Water (NRW), which represents water produced but not billed (due to leaks, theft, or inefficiencies), has fluctuated over the period. The highest NRW percentage was recorded in 2020/21, approaching 50%. Over the years, there has been a slight but steady improvement in NRW performance, reaching about 48% in 2023/24 FY. This indicates progress in addressing water losses and improving billing efficiency.

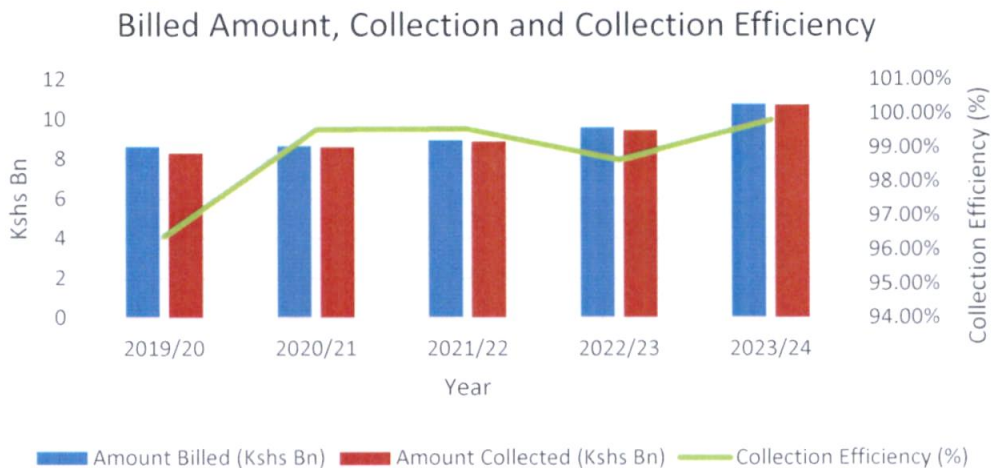
Overall, the company maintained a consistent water production level while managing to increase the volume of water billed over the years. The gradual reduction in NRW percentage is a positive indicator, suggesting ongoing improvements in operational efficiency and the effectiveness of water management strategies. Continued efforts in reducing NRW will lead to better financial and operational outcomes in the future.



Billed Amount, Collection and Collection Efficiency

The graph depicts the performance on the billed amount, the collected amount (both in billions of Kenyan Shillings), and the collection efficiency (as a percentage) for the years 2019/20 to 2023/24. Overall, the graph illustrates a well-managed billing and collection process with minimal revenue leakage, underpinning the financial health and operational robustness of the company.

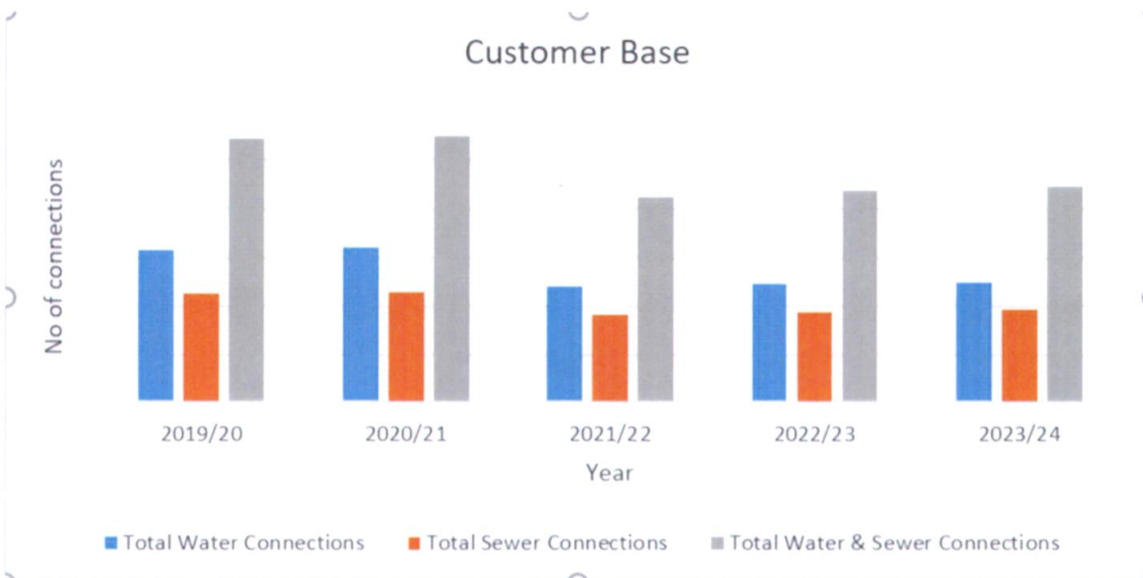
Both the billed and collected amounts indicate a steady increase over the years. The billed amount rose from approximately Kshs 8.63 billion in 2019/20 to Kshs 10.77 billion in 2023/24. On the other hand, the collected amount closely follows the billed amount, indicating strong collection practices. By 2023/24, the amount collected almost matches the billed amount (Kshs 10.75 billion). Collection efficiency has generally been high, consistently above 96% and the highest efficiency is observed in 2023/24 at 99.81%, indicating that nearly all billed amounts were successfully collected.



The above trend analyses and graph indicate that the Nairobi City Water and Sewerage Company is grounded on systems that indicate continuous improvements in operational efficiencies. The upward trend in both the billed and collected amounts over the five years demonstrates financial growth and possibly an expanding customer base or increased tariffs. Further, there have been effective mechanisms in collecting payments, with a minimal gap between the billed and collected amounts. This is a positive sign of operational efficiency and customer compliance. In addition, the collection efficiency trends highlight the company's consistent efforts to improve its revenue collection processes. The minor dip in 2022/23 suggests potential challenges during that period, but the swift recovery in 2023/24 indicates successful mitigation efforts.

Customer Growth

The graph below provides an overview of the customer base of Nairobi City Water and Sewerage Company from 2019/20 to 2023/24, focusing on total water connections, total sewer connections, and the combined total water and sewer connections.



The combined total water and sewer connections shows a decline from 544,445 in 2019/20 to 425,828 in 2021/22 after which recovery started, reaching 446,140 in 2023/24. The initial decline can be attributed to the comprehensive data clean up during the migration from Customer Management System (CMS) to the current BASIS II. This is an ongoing exercise and it is anticipated that the Company will reach its initial level of about 550,000 once all customers have

been fully migrated into BASIS II. This effort will be enhanced by implementation of Customer Identification Survey (CIS) under the World Bank funded Conditional Liquidity Support Grant (CLSG) II on financial recovery plan.

10. Environmental and Sustainability Reporting

Nairobi City Water and Sewerage Company Ltd exists to positively impact the lives of the people it serves. Our strategy and guiding policies are driven by the desire to provide quality water and sewerage services in an environmentally friendly manner that delights our customers. This motivates us to create an enabling environment that integrates marketplace, workplace, environment and community concerns with business operations. Below is an outline of the organisation's policies and activities that promote sustainability.

(i) Environmental and Sustainability Reporting

Nairobi City Water & Sewerage Company Ltd (NCWSC) undertook CSR activities and Community engagements to enhance its stakeholder management, improve on its social impact within the catchment community and various wards within the City. The main focus on CSR is based around the water cycle, addressing issues on climate change, diversity and inclusion.

Our aim is to responsibly:

- Minimize our impact on the environment through sustainable practices.
- Impact the communities we work and live in positively.
- Build positive relationships with stakeholders and partners.
- Provide sustainable benefits for our stakeholders

(ii) Environmental performance

The Company in the last year has engaged in various efforts to reduce environmental impact through the environment department. In collaboration with various institutions including the Nairobi City County Government, Dedan Kimathi University and Kenya Forest Service (KFS), the Company has seen the planting of over 10,000 tree seedlings in response to the National Government's initiative to increase forest cover and combat climate change.

(iii)Employee welfare

The Company subscribes to the doctrine of Equal Employment opportunities for qualified personnel both female and male regardless of ethnicity, race, culture, disability and religion or relationships.

Appraisals are done bi-annually to evaluate employee performance and in career management employees who improve their skills are rewarded through promotions and basic salary increment in accordance to HR Policy and Procedure Manual. Employees registered with professional bodies are facilitated to earn their annual continuous professional development (CPD) points in order to keep up with the emerging issues and the best practices in the job market. In addition, function specific trainings are carried out as per identified gaps and as approved in the training plan.

Occupational safety and health (OSHA) is handled as regulated in the occupational safety and health act 2007.

(iv)Responsible marketing and advertisement

The Company is committed to ethical marketing practices and has embraced its core values which include and not limited to customer focus, accountability and integrity. During the last year, the focus was on strategically identifying, understanding and engaging stakeholders. This was mainly driven through technology where, information on services and products of the Company and various campaigns were channeled.

A multi-channel approach was utilised which included various social media platforms and traditional media outlets to ensure that every stakeholder was reached and a feedback mechanism identified to ensure that information flowed to and from the stakeholders in an effective and efficient manner.

(v) Product stewardship

In our effort to ensure that our products and services are consumer friendly and in tandem with our vision and mission, the Company has embraced ISO standards which ensure that our products are of the highest quality.

The Company is currently ISO certified which sets standards for quality management system based on ISO 9001:2015. In the last year, our services met the recommended portable water standards.

(vi) Corporate Social Responsibility(CSR) / Community Engagements

The CSR activities are also aligned to the Corporate objective of providing water and sewerage services in an environmentally and friendly manner while investing in the future of the communities and residents we serve. For the Year ended 2023/2024 the Company evidently undertook the following activities:

In collaboration with the National and County Government of Nairobi, the company marked the National a tree planting days as well as corporate tree planting day at Dandora Sewerage Treatment Works (DESTW) in Ruai, Thika and Sasumua Dam catchment. Corporates such as Glaxo Smithkline and Coca Cola EA have partnered with us to plant trees. The efforts cumulatively saw over 15,000 tree seedlings planted.



Through the Company's Community outreach program, undertaken collaborations with the Nairobi County Assembly Members, to provide 120 No. 10,000-litre water tanks to various Community Based Organizations (CBOs) and schools within the informal settlements to ensure provision of clean water to the communities we serve.

Corporate Tree Planting Exercise in Sasumua Dam Catchment & Ruiru dam



11. Report of Directors

The Board of Directors submits the report for the year ended 30th, June 2024, which shows the state of the Company's affairs.

i. Principal activity

The Company provides water and sewerage services in Nairobi and its environs.

ii. Results

Results for the year ended 30 June 2024 are summarized below:

	2024	2023
	KSHs	KSHs
		Restated
Loss for the Year	(118,067,920)	(159,310,688)

iii. Dividends

The Company does not recommend the payment of a dividend in respect of the year ended 30th June 2024 as per the provisions of the Water Act 2016, section 131(3); which stipulates that payments shall not be paid to the owners of public water services providers as long as the universal rights of access to safe and clean water have not been achieved in the designated service areas'.

iv. Directors

The members of the Board of Directors who served during the year are shown on page (vii)

v. Independent Auditors

The Auditor-General is the independent auditor in accordance with Article 229 of the Constitution of Kenya, the Public Audit Act, 2015 section 35 and the Companies Act and continues in office.

By order of the Board



Assumpta M. Reuben

Ag. Company Secretary

12. Statement of Directors' Responsibilities

The Kenyan Companies Act 2015 Section 147 and The Public Finance Management Act (PFM), 2012 section 164 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, as at the end of the financial year and of its operating results for the year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. They 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, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards 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 financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate 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.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statement

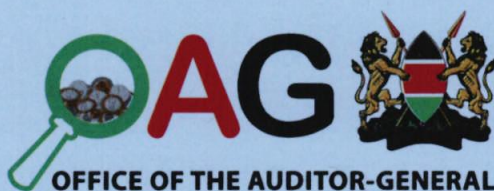
The Company financial statements were approved by the Board of Directors on 27th September 2024 and signed on its behalf by;


A. KARANJA
CHAIRMAN


ENG. NAHASON M. MUGUNA
MANAGING DIRECTOR

REPUBLIC OF KENYA

phone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nairobi City Water and Sewerage Company Limited set out on pages 1 to 70, which comprise of the statement

Report of the Auditor-General on Nairobi City Water and Sewerage Company Limited for the year ended 30 June, 2024

of financial position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nairobi City Water and Sewerage Company Limited as at 30 June, 2024 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inconsistencies in Operating Revenue

1.1 Estimated Accounts for More than Six (6) Months

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.10,949,295,622 in respect to operating revenue. An analysis of the billing estimates data indicates that one hundred and twelve thousand six hundred and twenty (112,620) accounts had their bills with an estimated amount of Kshs.524,984,600. Further, the analysis revealed that fifteen thousand, three hundred and twenty (15,320) accounts had been estimated consecutively for more than 6 months for the period between 1 July, 2023 to 30 June, 2024. The estimated bills for more than 6 months amounted to Kshs.194,354,986.

1.2 Accounts Billed and not Paid for Throughout the Year

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.10,949,295,622 in respect to operating revenue. Comparative analysis of water meters billing and payments reports revealed that as at 30 June, 2024, a total of twenty-three thousand three hundred and eighty-four (23,384) accounts were billed a total of Kshs.344,494,421 during the review period. However, the accounts did not have a corresponding payment. It was not clear how the accounts were billed for the whole year and yet they did not have corresponding payment. Further, there was no evidence provided to show the accounts were disconnected for non-payment of the bills.

1.3 Active Accounts not Billed

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.10,949,295,622 in respect to operating revenue for the year ended 30 June, 2024. Comparative analysis of water meters and billings revealed that as of 30 June, 2024, a total of ten thousand, one hundred

and ninety-two (10,192) active accounts did not receive any billing during the review period. It was not clear how the active accounts were not billed for the whole year and yet were still active.

In the circumstances, the accuracy and completeness of operating revenue of Kshs.10,949,295,622 could not be confirmed.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other payables balance of Kshs.5,344,030,050. However, included in the balance are trade and other payables balance of Kshs.4,144,716,223 which had been outstanding for more than 180 days.

In the circumstances, the accuracy, validity and completeness of trade and other payables balance of Kshs.4,144,716,223 could not be confirmed.

3. Property, Plant and Equipment

3.1 Unvalued Fully Depreciated Assets

The statement of financial position and as disclosed in Note 18 to the financial statements reflects assets with a net book value of Kshs.3,241,899,806. The amount excludes 166 plant and machinery, 369 motor vehicles and motor cycles, 3276 items of equipment, 52 computers and 2864 items of furniture and fittings which have been fully depreciated yet in use.

3.2 Lack of Land Ownership Documents

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.3,241,899,806 as disclosed in Note 18 to the financial statements. However, the following issues were noted;

- i. Land at Ndakaini dam has been encroached on including the construction of a recreational centre.
- ii. One parcel of land at Kariobangi Sewerage and two (2) parcels of land at Ruai sewerage measuring 90 hectares and 1,272.90 hectares had no ownership documents provided for audit.
- iii. The Company has parcels of land meant for expansion, storage, water and sewerage treatment works. However, the ownership and other records of the parcels of land have not been provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment net book value of Kshs.3,241,899,806 could not be confirmed. The ownership and the security of the land could also not be confirmed.

4. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.3,577,606,734 which as disclosed in Note 21 to the financial statements reflects gross receivables balance of Kshs.10,939,650,210. Included in this balance is Kshs.8,583,219,658 which has been outstanding for more than 120 days out of which Kshs.7,306,530,930 was outstanding for over 480 days. Management did not provide measures put in place to pursue the debtors and recover the amounts receivable by the Company.

In the circumstances, the accuracy, completeness and full recoverability of the outstanding debts totalling Kshs.3,577,606,734 could not be confirmed.

5. Unsupported Prior Year Adjustments

Note 34 to the financial statements reflects prior year adjustments on related party payables of Kshs.6,020,784,338 for the year ended June, 2023. Further, the note includes trade receivables negative balance of Kshs.583,247,540 relating to correction of prior period errors in billings and other income of Kshs.4,617,997 which related to interest erroneously credited. However, the basis for the adjustments was not provided.

In the circumstances, the regularity, accuracy and completeness of prior year adjustments could not be confirmed

6. Receivable from the Ministry of Water and Sanitation for the Nairobi Sanitation OBA Project

The statement of financial position reflects trade and other receivables balance of Kshs.3,577,606,734 which as disclosed in Note 21 to the financial statements reflects gross receivables balance of Kshs.10,939,650,210. However, an amount of Kshs.11,005,000 withdrawn from the special accounts and transferred to the Ministry of Water and Sanitation in relation to Nairobi Sanitation Output Based Aid Project (OBA) - (IDA grant No.TF014251 and No.TF0A5607 was not received by the Company and has not been included in the receivables balance.

In addition, although Management of the Company which was the implementing agency of the Project explained that the Project was closed, no evidence from the Resource Mobilization Department and the Central Bank of Kenya was provided to confirm the closure.

In the circumstances, it was not possible to confirm the current status of the Project. Further, the recoverability of the long outstanding accounts receivables balance of Kshs.11,005,000 relating to the Project is doubtful.

7. Unsupported Statement of Changes in Equity

The statement of changes in equity reflects amounts of Kshs.587,865,536 and Kshs.4,811,809 in respect to prior year adjustments and capital additions respectively for the year that have not been supported.

In the circumstances, the propriety, accuracy and completeness of the prior year adjustment of Kshs.587,865,536 could not be confirmed.

8. Material Uncertainty in Relation to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.118,067,920 and prior year adjustment of Kshs.587,865,536 reflected in the statement of changes in equity which decreased the revenue reserves from a negative balance of Kshs.2,788,895,138 as at 30 June, 2023 to a negative balance of Kshs.3,494,828,594 as at 30 June, 2024. Further, the Company's current liabilities balance of Kshs.6,016,217,650 exceeded its current assets balance of Kshs.4,354,828,003 resulting to a negative working capital of Kshs.1,661,389,647.

In the circumstances, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparative basis of Kshs.12,922,156,719 and Kshs.11,699,734,849 respectively, resulting to under collection of Kshs.1,222,421,870 or 9% of the budget. Similarly, the Company's approved expenditure budget was Kshs.13,317,785,379 and actual expenditure of Kshs.11,817,523,167 resulting to under absorption of Kshs.1,500,262,212 or 11% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

Other Information

The Directors are responsible for the other information set out on page vi to xl which comprise of Key Corporate Information, The Board of Directors, Key Management Officers, Chairperson's Statement, Report of the Managing Director, Statement of performance against predetermined objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Unaccounted for Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.10,949,295,622 in respect to

operating revenue for the year ended 30 June, 2024. During the year under review, the Company produced a total of 185,822,138 cubic meters (m³) of water. However, only 90,372,783 cubic meters were billed to customers. The unbilled volumes of 95,449,355 cubic meters, approximately 51% of the total water produced with a sale price of Kshs.8,570,397,585 (at Kshs.89.79 per cubic meter which is the average sale price for the year under review) represents the Non-Revenue Water (NRW), which is over and above the allowable loss of 25% as provided by Schedule E of Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company possibly lost an estimated amount of Kshs.95,449,355 or 51% Non-Revenue Water.

2. Ethnic Diversity

Review of the payroll revealed that the Company had 2,930 members of staff as at 30 June, 2024. Analysis of the staff register for the month of June, 2024 showed that 1,404 representing 48% of the total staff were from one ethnic community contrary to Section 7 of the National Cohesion and Integration Act, 2008.

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

3. Unsustainable Wage Bill

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.7,100,920,698 and operating revenue of Kshs.10,949,295,622. The Company's salaries were at 65% of the operating income which is way above the allowed percentage of 35% by 30% contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. Had the Company followed the 35% requirement of the revenue generated, staff cost would have been at Kshs.3,832,253,468 resulting to a saving of Kshs.3,268,667,230 which would be used to settle other Company's obligations.

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

4. Staff on Acting Capacity Beyond the Stipulated Period

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.7,100,920,698 and operating income of Kshs.10,949,295,622. Review of the payroll revealed that there were sixty-five (65) members staff who were on acting capacity for more than six (6) months. This was contrary to Section 4.6.4 of the Human Resource Policies and Procedures Manual of 2020 that require staff to act for maximum period of six (6) months. The 65 staff were paid a total of Kshs.29,691,125 acting allowance for the period they were acting.

In the circumstances, Management was in breach of the Human Resource Policies and Procedures Manual.

5. Staff Earning Below a Third of Basic Pay

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.7,100,920,698 in respect to staff costs as disclosed in Note 10 to the financial statements. Payroll analysis revealed that during the year, three hundred and eighty one (381) officers overcommitted their basic salaries hence earned below a third (1/3) of their basic salaries which is contrary to Paragraph C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016

In the circumstances, Management was in breach of the Human Resource Policies and Procedures Manual.

6. Irregular Procurement and Implementation of Oracle Human Capital Management (HCM) Licenses

As previously reported, the Company entered into and awarded the contract for provision of Oracle HCM Licenses, installations and configuration of Oracle HCM Applications to a contractor on 02 December, 2022. The contract included seven licenses and six deliverables at a cost of Kshs.69,966,687. The contract was to be completed in a period of six months. However, the following anomalies were noted;

- i. The deliverables included two years' support at a total cost of Kshs.1,654,876 but the licenses have not been put to use a year since the project was started.
- ii. The deliverables included air tickets and training fees for eight (8) officers to attend Oracle University in Dubai or Europe for training on implementation of the project for eight days at a cost of Kshs.7,597,655. The deliverables also included training and Go-Live at a cost of Kshs.3,217,654. It was not explained why the contractor needed to take staff outside the country for training whereas in the project proposal there was demonstration of capacity, expertise and technological ability to undertake the work.
- iii. The project had not been fully implemented since the licenses were not in use despite the fact that the six months' implementation time had elapsed.

In the circumstances, the value for money on implementation of the Oracle licenses costing Kshs.69,966,687 could not be confirmed.

7. Non-Compliance with the Persons with Disabilities Act, 2003

Review of the payroll records revealed that only forty-three (43) employees out of 2,930 were in the category of persons with disabilities. They constituted only 1.4% of the total employees which was below the recommended level of 5% under, contrary to Section 13 of the Persons with Disabilities Act, 2013 which provides that the Council shall endeavor to secure the reservation of five percent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the 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 governance were not effective.

Basis for Conclusion

Use of End of Life (EoL) Microsoft Operating Systems

Review of the ICT systems revealed that there were 81 computers utilizing Windows XP, 375 computers operating on Windows 7. However, all of the systems have reached their End of Life (EoL) and are no longer supported by Microsoft.

In the circumstances, the Company's network is susceptible to significant cybersecurity threats and vulnerabilities.

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 controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxxiv to xli is consistent with the financial statements.

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

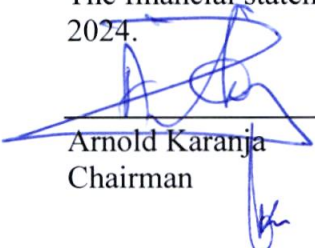
14. Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30th June 2024


	Note	2024	2023
			Restated
REVENUE		Kshs	Kshs
Operating Revenue	6	10,949,295,622	10,309,017,771
Grant Income	7	378,031,043	205,211,944
Other Income	8	372,363,646	260,027,876
Finance Income	9	44,538	4,617,997
Total		11,699,734,849	10,778,875,588
EXPENSES			
Staff costs	10	7,100,920,698	6,974,281,617
Board Expenses	11	89,520,112	92,382,851
General & Operational expenses	12	3,663,174,319	2,940,754,594
Maintenance expenses	13	331,591,718	314,798,463
Depreciation & Amortization	14	571,663,886	549,806,716
Finance costs	15	60,932,036	66,162,035
Total		11,817,802,769	10,938,186,276
Loss before tax	16	(118,067,920)	(159,310,688)
Loss for the year		(118,067,920)	(159,310,688)

15. Statement of Financial Position As at 30th June 2024

ASSETS	NOTE	2024	2023
			Restated
NON- CURRENT ASSETS		Kshs	Kshs
Property, plant and equipment	18	3,241,899,806	3,383,858,130
Intangible assets	19	4,522,209	48,678,453
		3,246,422,015	3,432,536,583
CURRENT ASSETS			
Inventories	20	438,796,447	434,672,965
Trade and other receivables	21	3,577,606,734	4,023,894,957
Cash and Cash equivalents	22	338,424,822	387,807,587
		4,354,828,003	4,846,375,509
TOTAL ASSETS		7,601,250,018	8,278,912,092
CURRENT LIABILITIES			
Trade and other payables	29	5,344,030,050	5,017,491,082
Customers with credit balances	30	298,185,811	275,556,190
Provisions for Leave	31	305,482,235	317,992,007
Borrowings	28	68,519,554	150,296,039
		6,016,217,650	5,761,335,318
NET ASSETS		1,585,032,368	2,517,576,774
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share Capital	23	100,000	100,000
Revenue Reserve	24	(3,494,828,594)	(2,788,895,138)
Capital Grant	26	1,247,906,054	1,470,778,880
		(2,246,822,540)	(1,318,016,258)
NON-CURRENT LIABILITIES			
Customer deposits	27	1,229,417,698	1,164,088,623
Borrowings	28	97,069,348	165,589,391
Amounts due to related parties	32	2,505,367,862	2,505,915,018
		3,831,854,908	3,835,593,031
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1,585,032,368	2,517,576,774

The financial statements were approved by the Board of Directors on 27th September 2024.


Arnold Karanja
Chairman


Eng. Nahason M. Muguna - Managing Director

ICPAK No.3647

CPA Paul E. Omondi
Finance & strategy Director

16. Statement of Changes in Equity for the year ended 30th June 2024

	Note s	Share Capital Kshs	Revenue Reserve Kshs	Capital Grant Kshs	Restated Total Kshs
As at 30th June 2022		100,000	(8,545,681,252)	1,631,290,528	(6,914,290,724)
Prior year adjustments	34		5,916,096,802		5,916,096,802
Restated balance		100,000	(2,629,584,450)	1,631,290,528	(998,193,922)
Amortization		-	-	(193,775,766)	(193,775,766)
Additions for the year		-	-	33,264,118	33,264,118
Loss for the year	16	-	(159,310,688)	-	(159,310,688)
As at 30th June 2023		100,000	(2,788,895,138)	1,470,778,880	(1,318,016,258)
Prior year adjustments	34		(587,865,536)	-	(587,865,536)
Restated balance		100,000	(3,376,760,674)	1,470,778,880	(1,905,881,794)
Amortization		-	-	(227,684,636)	(227,684,636)
Additions for the year				4,811,809	4,811,809
Loss for the year	16	-	(118,067,920)	-	(118,067,920)
As at 30th June 2024		100,000	(3,494,828,594)	1,247,906,054	(2,246,822,540)

17. Statement of Cash Flow for the Year Ended 30th June 2024

	NOTE	2024	2023
		Kshs	Kshs
Operating activities:			
Cash generated from operations	35	542,583,308	202,109,387
Interest paid	15	(60,932,036)	(66,162,035)
Net cash generated from operating activities		481,651,269	135,947,352
Cash flow from investing activities:			
Purchase of property, plant and equipment	18	(385,549,319)	(458,719,156)
Purchase of intangible assets	19	-	(8,348,694)
Net cash used in investing activities		(385,549,319)	(467,067,850)
Cash flow from financing activities:			
Proceeds from long-term borrowings		-	102,874,657
Proceeds from financing assets	26	4,811,809	33,264,118
Repayment of long-term borrowings		(150,296,528)	(170,381,901)
Net cash generated from financing activities		(145,484,720)	(34,243,126)
Net increase/(decrease) in cash and cash equivalents		(49,382,766)	(365,363,624)
Movement in cash and cash equivalents:			
As at 1 st July		387,807,587	753,171,211
Decrease/Increase		(49,382,766)	(365,363,624)
As at 30th June	22	338,424,822	387,807,587



18. Statement of Comparison of Budget and Actual Amounts for the Period Ended 30 June 2024

	Original Budget	Adjustments	Adjusted budget	Actual on comparable basis	Performance 2023/2024	%
REVENUE						
Water	8,145,357,000	(1,565,530,628)	6,579,826,372	6,095,639,003	(484,187,369)	(7)
Sewerage	6,758,325,000	(1,977,969,361)	4,780,355,639	4,675,299,201	(105,056,438)	(2)
Meter Rent	-	-	-	3,243,416	3,243,416	100
Other income	860,048,861	(451,074,153)	408,974,708	775,206,822	366,232,114	90
Operating Income	15,763,730,861	(3,994,574,142)	11,769,156,719	11,549,388,442	(219,768,277)	(2)
Grant Income	1,153,000,000	-	1,153,000,000	150,346,407	(1,002,653,593)	(87)
Total Revenue	16,916,730,861	(3,994,574,142)	12,922,156,719	11,699,734,849	(1,222,421,870)	(10)
EXPENDITURE						
Staff Costs	7,058,255,000	225,293,279	7,283,548,279	7,100,920,698	182,627,581	3
Board Expenses	90,000,000	-	90,000,000	89,520,112	479,888	1
Operations	5,032,781,100	(406,480,000)	4,626,301,100	3,663,174,319	963,126,781	19
Maintenance	578,000,000	(138,500,000)	439,500,000	330,974,580	108,525,420	25
Financing Costs	61,200,000	9,000,000	70,200,000	61,269,572	8,930,428	13
Other Expenses	808,236,000	-	808,236,000	571,663,886	236,572,114	29
Total Operating Exp	13,628,472,100	(310,686,721)	13,317,785,379	11,817,523,167	1,500,262,212	11
Net Income	3,288,258,761	(3,683,887,421)	(395,628,660)	(118,067,920)	(277,560,740)	70.2

19. Notes to the Financial Statements for the year ended 30th June 2024

1. General information

Nairobi City water and sewerage Company Ltd is established by and derives its authority and accountability from water Act and the companies act laws of Kenya. The entity is wholly owned by the Nairobi City County Government and is domiciled in Kenya. The entity's principal activity is provision of water and sewerage services.

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

2. Statement of compliance and basis of preparation

The financial statements are prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost basis of accounting except for the measurement at re-valued amounts of certain items of property, plant and equipment and presented in the functional currency, Kenya Shillings (Kshs) rounded to the nearest Shilling.

The preparation of financial statements in conformity with IFRSs allows the use of estimates and assumptions. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 4 below.

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

Going Concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 38.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows and other resources.

3. Application of new and revised international financial reporting standards (IFRS)

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

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

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

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

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

Based on Directors' assessment of the potential impact of application of the above, we do not expect that there will be a significant impact on the company's financial statements.

iii. *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2023/2024

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied over the years unless otherwise stated:

a) Revenue recognition

Revenue is recognized to the extent that it is probable that the 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 entity's activities. The following specific recognition criteria must be met before revenue is recognized.

i) Provision of water and sewerage services

Revenue from provision of water and sewerage services is recognized when these services are delivered to customers and billed by the Company. The billing is done on monthly billing cycle based on the units consumed as read on the customer water meters and as per approved consumer tariff. If the meter reading is not available, the consumption between the last meter reading and the end of billing cycle is estimated.

ii) Meter rent income

Meter rental income is recognized on monthly basis after water meters are installed at the customers' premises. This is based on the approved tariff by water services regulatory board.

iii) Other income

This includes sale of, exhaustor services, effluent discharge fees, sale of sludge, fraud charges, claims compensation, survey fees etc.

Other income is recognized when the service has been provided and billed.

iv) Finance Income

Finance income comprises interest receivable from bank deposits, and is recognized in profit or loss on a time proportion basis using the effective interest rate method

v) Grants

Income grants are recognized in the statement of comprehensive income in the year in which the entity actually receives such grants.

vi) Rental Income

Rental income is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vii) In-kind contributions

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

b) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value.

Subsequent costs are included in the assets' carrying amount or recognized as separate assets as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to the income statement in the financial year in which they are incurred.

Property, plant and equipment acquired under hire purchase agreements and finance lease hire arrangements are capitalized at the date of the agreement. The interest element of each installment is charged to the income statement at the time each installment falls due.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

If any such indications exist and where the carrying values exceed the recoverable amount, property, plant and equipment are written down to their recoverable amounts.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus / (deficit).

c) Depreciation and impairment of property, plant and equipment

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property, plant and equipment over their expected useful lives. Depreciation charge is prorated from the date of purchase and recognized both in the year of asset purchase and in the year of asset disposal. The rates used are:

Asset Class	Years	Rate
Buildings & civil works	40	2.5%
Plant & Machinery	8	12.5%
Motor Vehicles, including motorcycles	4	25%
Equipment	8	12.5%
Computer & Related Equipment's	3	30%
Furniture & Fittings	8	12.5%

Freehold land and capital work in progress/Construction in progress are not depreciated.

d) Intangible assets

The costs incurred to acquire and bring to use specific computer software licenses are capitalized. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and

amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

e) Amortization and impairment of intangible assets

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

f) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

g) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is determined on a weighted average cost basis. Provisions are made for all anticipated inventory losses and charged to the income statement.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

h) Foreign currency transactions

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings.

Transactions during the year are converted into Kenya Shillings at rates ruling at the transactions dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income statement in the period in which they arise.

i) Trade and other receivables

Trade and other receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts.

General provisions are made based on directors' valuation of the trade receivables and other exposure in respect of losses, which, although not specifically identified, are known from experience to be present in the trade receivables.

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

j) Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

No tax will be provided in view of the nature of the company's business as explained in note 16.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

l) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Borrowing costs are expensed as finance costs.

m) Trade and other payables

Trade and other payables are stated at their nominal value as adjusted for interest on overdue accounts.

n) Employee benefits Obligations

i) Pension obligations

The Company operates a defined contribution retirement benefit scheme for employees on permanent terms of service administered in three different forms: National Social Security Fund, a Provident Fund and a pension fund. These schemes are funded by contributions from both the Company and employees.

The Company's contributions to the schemes are charged to the income statement in the year to which they relate.

ii) Other employee entitlements

Employee entitlements to gratuity are recognized when they fall due. These entitlements are provided for on annual basis in accordance with the annual contracts.

o) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

p) Capital grant

Grants received for capital assets are credited to the capital grant account net of amortization, which is released to the income statement over the expected useful life of the relevant asset on a straight line basis.

q) Provisions

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized in the balance sheet but are disclosed unless they are remote.

r) Leases

Operating lease payments for use of assets belonging to the Nairobi City County Government payable to the Athi Water Works Development Authority are recognized as an expense in the income statement and are based on the guidelines from Water Service Regulatory Board.

Rental payments are recognized as expenses in the income statement when they are incurred.

s) Revenue reserve

Surpluses / (deficits) from the statement of comprehensive income are accumulated in the revenue reserve account on an annual basis.

t) Customer deposits

Deposits from customers are recognized when received. Interest on the deposits is accrued at 3% per annum.

u) Related parties

In the normal course of business the Company enters into transactions with related parties. The related party transactions are at arm's length.

v) Provision for overtime

The Company provides for overtime payment for hours worked in excess of those specified in the terms of contracts for employees in grade 6 -9. This is computed at a rate of one and half times for normal working days and twice for a normal rest day or a gazetted public holiday. Overtime expense is recognized when claimed and approved.

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of budget following the

Board of directors's approval. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under budget comparison of these financial statements.

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

i) Critical accounting estimates and assumptions

Property, plant and equipment; Intangibles and Capital grant and amortization of intangibles and capital grant.

Critical estimates are made by Directors in determining depreciation and amortization rates for property, plant, equipment, intangibles and capital grant. The rates used are set out in note 4(b), 4(c) 4 (d) and 4 (e) above.

ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, Directors have made judgments in determining:

- The classification of financial assets and leases.
- Whether assets are impaired.
- Provisions and contingent liabilities.
- Presentation of financial statements.

6. Operating Revenue

	2024	2023
	Kshs	Kshs
Water sales	6,095,639,003	5,492,457,913
Sewer services	4,675,299,201	4,366,467,184
Meter rent	3,243,416	174,227,762
Billing for other services	175,114,002	275,864,912
Total	10,949,295,622	10,309,017,771

Other billing services income comprises income from exhaustor services rendered, survey fees, sale of sludge, sale of water by tanker, fraud charges and recoveries, reconnection fee, effluent discharge license fee, chemical analysis fee, sewer connection charges.

7. Grant Income

	2024	2023
	Kshs.	Kshs
Operational grants from other agencies	150,346,407	11,436,178
Capital grants amortized/Grant Amortization	227,684,636	193,775,766
Total	378,031,043	205,211,944

The Company received grant/funding from World Bank as Conditional Liquidity Support Grant CLSG) (kshs 90,233,475); AWWDA inventory grants kshs 60,122,932); 2023 (kshs 11,436,178).

Entity sending the grant	Recognized in the Statement of Income	Deferred income KShs	Under capital fund. KShs	Total grant income KShs	2023-2024
KENHA	-	-	4,818,810	-	4,818,810
Total	-	-	4,818,810	-	4,818,810

8. Other Income

	2024	2023
	Kshs	Kshs
Insurance compensation	73,571,777	23,886,089
Bad debts recovery	283,664,494	234,615,359
Rental income	101,130	266,525
Leave days provision	12,509,772	-
Other non-billing income	2,516,473	1,259,903
Total	372,363,646	260,027,876

9. Finance Income

	2024	2023
	Kshs	Kshs
Interest from commercial banks and financial institutions	44,538	4,617,997
Total	44,538	4,617,997

10. Staff Costs

	Note	2024	2023
		Kshs	Kshs
Salaries and wages		3,533,033,133	3,452,595,636
House allowances		803,504,131	831,920,146
Leave allowances		235,321,672	221,265,218
Bonus		21,350,428	21,900,438
Overtime		478,368,289	478,495,345
Retirement benefits	34	797,430,745	767,129,027
Other allowances		673,810,158	671,883,439
Medical expenses		446,765,562	408,669,838
Leave pay provision		-	86,664,531
Welfare		46,797,461	33,757,999
Housing Levy		64,539,119	-
		7,100,920,698	6,974,281,617

The number of employees at the end of the financial year was 2930, (2023:3,117). The number per category is indicated below;

Grade	Category	Number	
		2024	2023
1	Managing Director	1	1
2	Functional Directors	3	4
3	Departmental/Regional managers	26	29
4	Co-ordinators	109	111
5	Officers	225	227
6	Supervisors	605	602
7	Assistants	604	672
8	Support I	1,256	1,365
9	Support II	101	106
Grand Total		2930	3,117

11. Board Expenses

Description	2024	2023
	KShs	KShs
Chairman Honoraria	1,044,000	766,574
Sitting allowances	18,013,282	11,796,000
Medical Insurance	1,191,383	521,302
Induction and Training	6,880,581	15,008,926
Travel and accommodation	60,096,035	62,576,850
Other Allowances	2,294,831	1,713,199
Total Board Expenses	89,520,112	92,382,851

12. General and operational expenses

		2024	2023
			Restated
		Kshs	Kshs
Chemicals		478,378,251	254,349,592
Office supplies		30,825,023	45,818,783
Tyres and related accessories		14,141,255	28,203,064
Fuel, oil and lubricants		215,081,780	140,816,926
Uniforms and protective clothing		29,326,100	35,999,602
Electricity		523,610,929	408,938,262
Telecommunications		70,367,719	63,522,373
Postal and couriers		332,248	255,236
Water and conservancy		8,843,156	7,619,114
Insurance		158,662,374	128,526,640
Rent and rates		98,275,743	79,368,650
Hire of equipment and Vehicles		616,540	739,920
Claims, damages and compensation		37,177,648	63,191,377
Traveling and subsistence- local		322,094,500	256,079,596
Bank charges		4,935,075	6,445,833
Traveling and subsistence- External		66,936,412	77,825,491
Staff training and development		296,759,234	149,340,151
Security		94,448,280	90,326,000
Commissions		289,117	1,565,036
Publicity and advertising		12,236,918	8,051,180
Donations/Corporate Social Responsibility		2,914,880	536,000
Sports and recreation		34,608,552	19,256,781
Corporate year end party		7,204,600	-
Library		27,000	77,081
Audit fees		4,121,283	3,988,821
Legal fees		26,746,403	36,374,264
Consultancy		5,690,460	9,510,392
Licensing, lease and levy	12(a)	589,341,303	552,731,668
Research and development		-	918,810
Stakeholders expenses		81,490,048	56,812,516
Provision for bad and doubtful debts		447,691,488	413,565,435
Total		3,663,174,319	2,940,754,594

12(a) Licensing, Lease & Levy

Name	2024	2023
	Kshs	Kshs
Water services regulatory Board	432,015,909	419,802,780
Water resources Authority	99,197,353	98,200,018
Others	58,128,041	34,728,869
Total	589,341,303	552,731,667

13. Maintenance Expenses

	2024	2023
	Kshs	Kshs
Ground	18,861,225	6,138,695
Wayleaves & Catchment areas	-	97,070
Plant and machinery	58,819,605	43,796,787
Buildings	10,061,136	3,034,268
Equipment	15,403,058	20,125,532
Motor vehicles	31,215,557	42,187,307
Furniture and fittings	232,044	18,310
Software	62,435,397	45,427,972
Water fittings and accessories	104,649,662	141,666,547
Water meters	29,914,034	12,305,976
Total	331,591,718	314,798,463

14. Depreciation and amortization

	Note	2024	2023
		Kshs	Kshs
Depreciation of property, plant and equipment	18	527,507,642	513,296,384
Amortization of intangible assets	19	44,156,244	36,510,332
Total		571,663,886	549,806,716

15. Finance Costs

	2024	2023
	Kshs	Kshs
Interest on loan	32,728,533	39,083,241
Interest on Customer deposits	28,203,503	27,078,794

Total	60,932,036	66,162,035
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16. Loss before Tax

	2024	2023
	Kshs	Kshs
		Restated
Loss for the year	(118,067,920)	(159,310,688)
The loss before tax is stated after charging:		
Depreciation of property, plant and equipment	527,507,642	513,296,384
Amortization of intangible assets	44,156,244	36,510,332
Directors' emoluments:		
-Fees	89,520,113	92,382,851
-Other emoluments	14,409,062	13,363,846
Auditors' remuneration	4,121,283	3,552,830
Retirement benefits	797,430,745	767,129,027
Interest expense	60,932,036	66,162,035
And after crediting:		
Other income	372,363,646	260,027,876

17. Taxation

As earlier reported in the previous years, the Directors in terms of IAS 1 declare that the financial statements present a fair view of the Company's financial position; financial performance and cash flows and that they have complied with applicable International Accounting Standards and interpretations. However, the Company has in terms of IAS 1 paragraphs 13 to 22 departed from the requirements of IAS 12 in order to have a fair representation of its tax liability status for the following reasons:

(i) The Company is wholly owned by Nairobi City County, a County Government. The Company Operations are under the County Government and as per the provision of the Constitution **FOURTH SCHEDULE** (Article 185 (2), 186 (1) and 187 (2)). It is principally a vehicle used by Nairobi City County to deliver services as per the county government Act. According to the 1st schedule paragraph 8 of the Income Tax Act (ITA), the income of a County Government is exempted from the provisions of ITA. Any surplus arising thereon is re-invested in the water services infrastructure for development and enhancing sustainability as provided in water act 2016.

18. Property, Plant and Equipment

According to the Tripartite Agreement, Hand over deed, Agency Agreement and Service Provision Agreement, NCC handed over to the Company it has fixed or landed and other assets on lease basis for the purpose of discharging its mandate under the Water Act of 2002. However, the water Act 2016 provides the asset linked to water service provision should be vested in the company and the transfer done by CS in-charge of water. This is still pending. The Company was granted rights to carry out any capital improvements to the existing assets hence forming the basis of maintaining a dual asset register. Accordingly, the Company is a co-owner of certain assets. The property, plant and equipment schedule is shown on the next page

Property, Plant and Equipment

	PLANT & BUILDINGS		MOTOR VEHICLES	EQUIPMENT	COMPUTER & RELATED EQUIPMENT	FURNITURE & FITTINGS	WIP	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
As at Jul 2022	114,702,142	3,866,181,516	508,049,655	1,049,840,147	580,196,168	177,715,265	1,000,579,682	7,297,264,575
Additions at cost	0	28,385,405	22,226,542	34,774,471	15,724,039	18,230,577	339,378,115	458,719,149
Reclassification		108,925,192					(108,925,192)	0
As at June 2023	114,702,142	4,003,492,113	530,276,197	1,084,614,618	595,920,207	195,945,842	1,231,032,605	7,755,983,724
Depreciation at 1 Jul 2022	14,613,975	1,842,843,611	438,337,714	865,238,881	559,851,401	137,943,628	-	3,858,829,210
Charge for the year	2,849,454	407,138,212	26,204,517	52,513,245	13,941,749	10,649,207	-	513,296,384
Accumulated Depreciation	17,463,429	2,249,981,823	464,542,231	917,752,126	573,793,151	148,592,835	-	4,372,125,595
NBV AS AT 30 JUN 2023	97,238,713	1,753,510,291	65,733,966	166,862,492	22,127,057	47,353,007	1,231,032,605	3,383,858,130
As at Jul 2023	114,702,142	4,003,492,113	530,276,197	1,084,614,618	595,920,207	195,945,842	1,231,032,605	7,755,983,724
Additions at cost		79,114,537		23,048,789	10,296,207	10,030,208	263,059,578	385,549,319
Reclassification	977,147	94,487,589	0	0	0	0	(95,464,736)	0
As at June 2024	115,679,289	4,177,094,239	530,276,196	1,107,663,407	606,216,414	205,976,050	1,398,627,446	8,141,533,042
Depreciation at 1 Jul 2023								
Charge for the year	2,889,197	424,400,983	28,671,075	45,682,245	14,464,742	11,399,399	-	527,507,641
Accumulated Depreciation	20,352,626	2,674,382,806	493,213,306	963,434,371	588,257,893	159,992,234	-	4,899,633,236
NBV AS AT 30 JUN 2024	95,326,663	1,502,711,432	37,062,890	144,229,036	17,958,521	45,983,816	1,398,627,447	3,241,899,806
NBV AS AT 30 JUN 2023	97,238,713	1,753,510,291	65,733,966	166,862,492	22,127,057	47,353,007	1,231,032,605	3,383,858,130
Value of fully depreciated Assets	-	755,056,029	426,391,894	768,697,865	576,073,214	116,807,591	-	2,643,026,593

The work in progress (WIP) relates mainly to costs of ongoing but incomplete works on water pipeline network and sewer relief network construction and other civil works and installations. Reclassification relates to transfer of completed and commissioned works from work in progress (WIP).

18 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	115,679,289	20,352,626	95,326,663
Plant and machinery	4,177,094,239	2,674,382,806	1,502,711,432
Motor vehicles, including motorcycles	530,276,196	493,213,306	37,062,890
Computers and related equipment	606,216,414	588,257,893	17,958,521
Equipment	1,107,663,407	963,434,371	144,229,036
Furniture, and fittings	205,976,050	159,992,234	45,983,816
Total	6,742,905,595	4,899,633,236	1,843,272,358

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost/Valuation	Normal annual Depreciation Charge
Plant and machinery	755,056,029	94,382,003
Motor vehicles, including motorcycles	426,391,894	106,597,974
Computers and related equipment	576,073,214	172,821,964
Equipment	768,697,865	96,087,233
Furniture and fittings	116,807,591	14,600,949
Total	2,643,026,593	484,490,123

19. Intangible Assets

	2024	2023
Computer software:-	Kshs	Kshs
COST		
At 1 July	289,262,351	280,913,657
Additions	-	8,348,694
At 30 June	289,262,351	289,262,351
AMORTIZATION		
At 1 July	240,583,898	204,073,566
Charge for the year	44,156,244	36,510,332
At 30 June	284,740,142	240,583,898
Net book value at 30th June	4,522,209	48,678,453

20. Inventories

Inventories represent the value of water treatment chemicals, office supplies, tyres and accessories, motor spares, water meters and water fittings and accessories kept at various Company stations

	2024	2023
	Kshs	Kshs
Water treatment Chemicals & Lab equipment/apparatus	71,072,904	57,383,178
Office Supplies	23,543,652	19,231,953
Tyres and accessories	7,603,022	3,330,394
Motor Spares	21,249,987	24,304,735
Uniform and protective clothing	2,985,744	6,196,368
Water meters	37,089,495	52,660,394
Water fittings and accessories	275,251,643	271,565,943
Total	438,796,447	434,672,965

21. Trade and Other Receivables

	2024	2023
	Kshs	Kshs
Trade receivables (note (20a))	9,282,530,928	9,568,193,768
Other receivables	1,526,992,438	1,503,147,052
Prepayments and deposits	130,126,844	150,570,620
Gross Trade & Other Receivables	10,939,650,210	11,221,911,440
Less: Allowance for credit loss		
On Trade receivables	(7,306,530,913)	(7,142,503,919)
On KRA receivables	(55,512,564)	(55,512,564)
Total provision	(7,362,043,477)	(7,198,016,483)
Total	3,577,606,733	4,023,894,957

(a) Trade Receivables

	2024	2023
	Kshs	Kshs
Gross trade receivables	9,282,530,928	9,568,193,768
Provision for doubtful receivables	(7,306,530,913)	(7,142,503,919)
Net trade receivables	1,976,000,015	2,425,689,849
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	313,668,777	338,781,882
Between 30 and 60 days	152,430,297	197,470,622
Between 61 and 90 days	138,912,447	239,711,953
Between 91 and 120 days	94,299,749	605,008,353
Over 120 days	8,583,219,658	8,187,331,048
Total	9,282,530,928	9,568,193,768

(b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024	2023
	KShs	KShs
At the beginning of the year	7,142,503,919	6,963,553,843
Additional provisions during the year	447,691,488	413,565,435
Recovered during the year	(283,664,494)	(234,615,359)
Written off during the year	(-)	(-)
At the end of the year	7,306,530,913	7,142,503,919

Specific provision has been made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The provisions relating to the reporting period are Kshs(7,306,530,913) (2023: Kshs ((7,142,503,919)). This is based on the

provision of bad debts of beyond 480days as per the adopted policy. The increase is derived from the increase of debtors balance of kshs 2,171,811,706 to kshs2,619,503,195. This includes ksh 5,935,309 under Nairobi Water and Sewerage Institutional Restructuring project that was closed in 30 June 2008 and khs 49,577,255 for VAT claims.

Other receivables include balances claimable from Postal Corporation of Kenya, Kenya Revenue Authority (KRA), Cellulant Kenya Ltd, IDA receivables, staff salary advances ,medical excess and Travel advances. The carrying amounts of receivables approximate to their fair value.

21. (c) Staff Receivables

	2024	2023
	Kshs	Kshs
Gross staff advances	4,194,718	5,384,311
Provision for impairment loss	(-)	(-)
Net staff loans	4,194,718	5,384,311
Less: Amounts due within one year	(4,194,718)	(5,384,311)
Amounts due after one year	0	0

22. Cash and Cash Equivalents

	2024	2023
	Kshs	Kshs
Cash in hand	353,085	5,114,238
Cash at bank	240,998,753	248,588,080
Mobile Money account	97,072,984	134,105,269
Total	338,424,822	387,807,587

For the purposes of the cash flow statement, the earned cash and cash equivalents comprise the above balance sheet amount. The company is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions. The cash at bank is held at Co-operative bank of Kenya, Barclays bank of Kenya ltd, Equity bank Ltd, Sidian bank, Citi bank N.A, Housing Finance, National bank of Kenya, National commercial bank of Africa (NCBA), Diamond trust bank ltd, Kenya commercial bank, I&M bank, Family bank, Stanbic bank and other held in trust account by M-pesa holding account and Airtel holding Account.

The carrying amounts of the company's cash and cash equivalents are denominated in the Kenya shillings.

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024 KShs	2023 KShs
Current account			
Co-operative bank of Kenya			
Coop-Revenue Account	01136001361400	15,715,366	15,373,559
Coop-Payment account	01136001361401	104,025,187	90,949,509
Business Current Account	01136001361403	(68,605)	11,101,835
Coop-Savings account	01100001361400	12,060,817	29,608,079
Coop-Call Deposit	01150001361401	19,103,462	30,746,516
Baba Dogo water extension project account	01136001361407	23,098	27,418
Mathare sustainability project account	01136001361408	255,406	259,726
Kiambu water project Account2	01136001361410	1,032,534	1,036,855
Conditional Liquidity Support Grant (Ph1)	01100013614004	4,185	25
Conditional Liquidity Support Grant (Ph2)	01100013614005	-	-
Conditional Liquidity Support Grant (Ph3)	01100013614006	-	-
Absa Bank Kenya PLC	0775002360	925,437	20,157,251
Diamond Trust Bank Kenya Limited	0193004001	538,275	282,292
Equity Bank (Kenya) Limited	0560291999093	26,260,956	25,753,828
Sidian Bank	01006020000893	4,725,196	4,177,059
National Bank of Kenya	1020007150401	823,174	682,840
NCBA Bank Kenya Plc	1003088738	748	876
Housing Finance (HF)	200081172	530,086	507,786
Family Bank Ltd	012000057042	1,522,940	-
Stanbic Bank	0100012813583	63,776	-
Citi Bank NA	0300080003	49,808,057	16,098,512
Kenya Commercial Bank	1324230169	3,221,291	-
I&M Bank	01004537526350	257,946	-
M-Pesa Holding Ltd	444400	97,057,052	125,129,443
Airtel Holding Account	731100700	15,932	20,892
Jambopay (Formal Sector)		-	(647,484)
JamboPay (Jisomee)		-	9,602,418
Uncredited Deposits @ Coop Bank		169,423	1,824,114
Cash at Hand		353,085	5,114,238
Grand Total		338,424,822	387,807,587

23. Share Capital

	2024	2023
	Kshs	Kshs
Authorized, issued and fully paid:		
5,000 ordinary shares of Kshs. 20	100,000	100,000

There was no movement in the share capital during the year.

24. Revenue Reserve

		2024	2023
			Restated
	Note	Kshs	Kshs
At 1 July		(2,788,895,138)	(8,545,681,252)
Prior year adjustments	32	(587,865,536)	5,916,096,802
Restated Opening balance		(3,376,760,674)	(2,629,584,450)
Deficit for the year		(118,067,920)	(159,310,688)
At 30 June		(3,494,828,594)	(2,788,895,138)

Revenue reserve comprises of net worth at conversion and accumulated surpluses over the years. The prior year adjustment relates to errors in previous year Billing. The international Financial Reporting Standard No. 8, requires that this to be restated but due to difficulties in establishing the period that the error relate we have adjusted the prior year adjustment against reserve.

25. Retained Earnings

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

26. Capital Grant

The capital grant represents the cost of property, plant and equipment purchased using donor funds.

	2024	2023
COST	Kshs	Kshs
As at 1st July	2,712,714,714	2,679,450,595
Additions	4,811,810	33,264,119
	2,717,526,524	2,712,714,714
Amortization:		
As at 1st July	1,241,935,834	1,048,160,068
Charge for the year	227,684,636	193,775,766
Accumulated Amortization	1,469,620,470	1,241,935,834
Net book value as at 30 th June	1,247,906,054	1,470,778,880

27. Customer Deposits

	2024	2023
	Kshs	Kshs
Balance brought forward	1,164,088,623	1,101,366,075
Deposits received from customers	40,262,000	39,707,580
Accrued interest at 3% per annum	28,203,503	27,078,794
Deposits and interest refunded	(3,136,427)	(4,063,826)
Balance carried forward	1,229,417,699	1,164,088,623

The customer deposits balance comprises of deposits received from customers from 17 May 2004 when the Company commenced operations. The customer deposits received by the former Water and Sewerage Department of CCN have not been included in these financial statements pursuant to Article 4 (sections 3-4) of the Tripartite Agreement dated 5 April 2004, which states that CCN shall continue to hold and be responsible for deposits received from customers before the Company's formation. This Article further states that the Company shall refund deposits as and when demanded. Customer deposits are withdrawn on demand when accounts are closed. However, as is the case with other deposits of a similar nature, customer deposits are not usually withdrawn within one year.

28. Borrowings

	2024	2023
	Kshs	Kshs
Bank borrowings		
Non- Current	97,069,348	165,588,906
Current	68,519,554	150,296,044
Total Bank borrowings	165,588,902	315,885,430

The Company had 2 loan facilities with the cooperative bank of Kenya during the year namely;

- (a) A term loan for financing sanitation connections in the informal settlement of kes 600 million at Co-operative Bank under the OBA project co-financed by the World Bank. The company made a drawdown of kes 529,201,331. Interest rate at 13.5% pa reducing balance.
- (b) Insurance premium financing of kshs 102,874,657 financed by Co-operative bank of Kenya. This was fully repaid during the period

The facilities are secured by the following;

- i. Existing all assets fixed and floating debenture over the company assets of kshs700 million (Seven hundred million only) with the co-operative bank of Kenya

- ii. An assignment agreement of our receivables to Co-operative bank of Kenya;
- iii. Daily cash/ call deposits build up in the amount of kes 2,000,000 per day via standing order;
- iv. Duly executed lien and cash charge documentation to back the arrangement under items ii and iii above;
- v. Executed general terms and conditions

Detailed analysis of the borrowings

Description	2024	2023
	Kshs	Kshs
Domestic Borrowings		
Balance at beginning of the year	315,884,950	383,392,681
Domestic borrowings during the year	-	102,874,657
Repayments during the year	(150,296,533)	(170,382,388)
Balance at end of the year	165,588,902	315,885,430

29. Trade and Other Payables

	2024	2023
	Kshs	Kshs
Trade payables	2,757,601,221	2,365,242,087
Gratuity accrued	79,468,050	76,887,539
Employee payables	2,390,033,970	2,462,666,506
Other payables	116,926,809	112,694,950
Total	5,344,030,050	5,017,491,082

In the opinion of the Directors, the carrying amounts of trade payables approximate to their fair value. The maturity analysis of trade and other payables are shown in note 40 (a) (ii).

Aging Analysis for Trade and other Payables

	2024	% of the total	2023	% of the total
1-30 Days	963,085,250	18%	488,631,825	9.8%
31-60 Days	87,299,088	1.6%	336,161,650	6.7%
61-90 Days	47,062,729	0.9%	336,115,314	6.7%
91-180 Days	155,472,010	3%	126,043,028	2.5%

Over 180 Days	4,144,716,223	77.4%	3,730,539,265	67%
Total	5,344,030,050		5,017,491,082	74.3%

30. Customers with Credit Balances

	2024	2023
	Kshs	Kshs
Customer with credit balances	298,185,811	275,556,190

The customer with credit balances are those whose accounts have been overpaid and or have been issued with a credit note due to previous overbilling. This comprises of application in process, current active and discontinued inactive.

31. Provisions for Leave Accruals

	2024	2023
	Kshs	Kshs
As at opening	317,992,007	231,327,476
Addition/Decrease for the year	(12,509,772)	86,664,531
As at closing	305,482,235	317,992,007

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

32. Amount Due to Related Party Transactions

The Nairobi City County Government owns the Company 100%.

Athi Water Works Development Authority (AWWDA) is the Asset Holding Entity. During the year the transactions conducted between these related entities were at arm's length and in the normal course of business in compliance with the Water Act 2016. The following transactions were carried out with related parties:-



Amount Due to Related Party Transactions

	2024	2023
	Kshs	Kshs
i) Lease fees for the year payable to Athi Water Works Development Authority		
		Restated
As at July	2,447,959,732	8,471,345,690
Fees for the year	9,702,720	693,731,019
Paid during the year	(5,899,840)	
Sub-total	2,451,762,612	9,165,206,746
Reclassified	(-)	(6,717,247,014)
Subtotal		
At 30 June	2,451,762,612	2,447,959,732
ii) Inherited debts from Nairobi City County		
At 1 July	57,955,286	59,246,335
Additions/Reclassified	-	2,731,658
Paid during the year	(4,350,036)	(4,022,707)
At 30 June	53,605,250	57,955,286
Grand Total	2,505,367,862	2,505,915,018
Classification of related party payables		
Non- current	2,505,367,862	2,505,915,018
Current		-
Total	2,505,367,862	2,505,915,018
iii) Billing of Water services to NCC		
At 1 July	549,666,944	510,995,927
Billing for the year	64,794,130	41,072,622
Paid during the year	(8,880,280)	(2,401,605)
Adjustment	13,177,021	
At 30 June	618,757,815	549,666,944

The tariffs applicable to Nairobi City County are the same as those charged to other customers.

33. Management Staff Compensation

Key management compensation:	2024	2023
	Kshs	Kshs
Salaries and other short term benefits	1,634,025,561	1,279,986,489
Termination benefits	230,795,856	204,984,786
Post-employment benefits	6,706,800	-
Total	1,871,528,217	1,484,971,275
Director's remuneration:		
-Fees for services as Directors	89,520,113	92,382,851
-Other emoluments - Chief executive (included in key management compensation above)	14,409,062	13,363,846
Total	103,929,175	105,746,697

A listing of the members of the Board of Directors who served is shown on page 5 of these financial statements.

34. Prior Year Adjustments

Prior year adjustments comprise the following:		2024	2023
		Kshs	Kshs
To revenue reserve			
			Restated
Trade Receivables	(i)	(583,247,540)	(104,687,536)
Other income	(ii)	(4,617,997)	-
Related party payables	(iii)	-	6,020,784,338
Total		(587,865,537)	5,916,096,802

Sub-notes:

- (i) Correction of prior period trade receivable balances due to errors in billings.
- (ii) Interest income erroneously credited reversed
- (iii) Related party payables restated due to lack of corresponding asset

35. Cash Generated from Operations

		2024	2023
Reconciliation of surplus before tax with cash generated from operations:			
			Restated
	Notes	Kshs.	Kshs.
Deficit /Surplus for the year before tax		(118,067,920)	(159,310,688)
Adjustment for :			
Revenue reserve	24	(587,865,537)	5,916,096,802
Depreciation of property, plant and equipment	18	527,507,641	513,296,384
Amortization of intangible assets	19	44,156,244	36,510,332
Amortization of grant asset	26	(227,684,636)	(193,775,766)
Interest expense	15	60,932,036	66,162,035
Operating surplus before working capital changes		(301,022,172)	6,178,979,099
Increase Trade and other receivables		468,917,844	(739,116,165)
Increase in Inventories		(4,123,481)	(16,930,414)
Increase in Trade and other payables		326,538,967	654,596,832
Increase in Provisions		(12,509,772)	86,664,531
Increase in Customer deposits		65,329,076	62,722,548
Decrease in Amount due to related parties		(547,156)	(6,024,807,044)
Cash generated from operations		542,583,308	202,109,387

36. Employee Retirement Benefits Expense

The employee retirement benefits expense comprises:

	2024	2023
	Kshs	Kshs
National Social Security Fund	54,688,252	19,053,960
Provident fund/pension fund	511,946,637	543,090,281
Gratuity	230,795,856	204,984,786
	797,430,745	767,129,027

37. Capital Commitments

	2024	2023
	Kshs	Kshs
Amounts authorized and contracted for	1,194,424,873	376,854,920
Amount authorized but not contracted for	912,457,928	-
Total	2,106,882,802	376,854,920

38. Future Rental Commitments Under Operating Leases

This relates to leases for operational buildings at various centers at Enterprise centre- Addis Ababa Rd Industrial Area, Showebe Plaza Pangani, Parklands Plaza Westlands, Cameo building –Town centre, National water plaza (Dunga Road), Shujaa mall along Spine Road. The lease terms are for six (6) years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

	2024	2023
	Kshs	Kshs
Within 1 year	81,168,238	51,229,750
After 1 year but less than 5 years	174,478,447	111,782,161
	255,646,685	163,011,911

39. Contingent Liabilities

This comprises of (a) pending suits and disputed claims arising from debts inherited from NCC in which the Company has been enjoined as a defendant plus other pending suits instituted against the company, all amounting to Kshs11,392,650,944 (2023:Kshs 10,398,746,349).The likely outcome of these matters cannot be determined as at the date of signing these financial statements. Based on the information currently available, the Directors believe that the ultimate resolutions of these legal proceedings, claims and tax exemption application are not likely to have a material effect on the results of the Company’s operations, financial position or liquidity.

The Company has restated the amount due to related party that was expensed without corresponding asset derived from the loan from AWWDA as per the tariff provision. This will be recognized after the associated assets have been transferred to the Company.

Contingent liabilities	2024	2023
	Kshs	Kshs
Court cases against the entity	3,733,399,334	3,681,499,335
Loan repayment due to AWWDA	7,659,251,610	6,717,247,014
Total	11,392,650,944	10,398,746,349

40. Risk Management Objectives and Policies

(a) Financial risk management

The company's activities expose it to various financial risks and market risks e.g. foreign exchange risk, interest rate risk and price risk, credit risk and liquidity risk. The Company's overall risk management policies are set out by the board and implemented by management, and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings.

Credit Risk on trade receivables is managed through a monthly review of outstanding balances. Payments not received within the contractual credit period are enforced through disconnection. Any identified errors in billing that can delay revenue realization are adjusted on a weekly basis. The debt of over 480 days is provisioned and written back when realized.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

	Fully Performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs	Total Kshs
As at 30th June 2023				
Financial assets				
Trade receivables	775,854,367	1,649,835,482	7,142,503,919	9,568,193,768
Other receivables	430,530,622	1,175,289,066	55,512,564	1,661,332,252
Cash in hand & bank	387,807,587			387,807,587
Gross financial assets	1,594,192,491	2,825,124,548	7,198,016,483	11,617,333,607
As at 30th June 2024				
Financial assets				

Trade receivables	605,011,521	1,370,988,494	7,306,530,913	9,282,530,928
Other receivables	4,104,718	1,597,544,053	55,512,564	1,657,161,335
Cash in hand & bank	338,424,822	-	-	338,424,822
Gross financial assets	947,541,061	2,968,532,547	7,362,043,477	11,278,117,085

The past due debtors but not impaired continue to be paid. An impairment provision of (Kshs7,362,043,477) (2023: (7,198,016,483)) is held against the impaired receivables. The company does not hold any collateral against the past due or impaired receivables except for the nominal customer deposits. The management continues to actively follow up past due and impaired receivables.

ii) *Liquidity risk*

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows presented in million Kshs.

Year ended 30th June 2024	0-1 month	1-3 months	3-12 months	over 1 year	Total
Trade & other payables	371	58	264	4,643	5,336
Payables to related parties	0	0	4	2,501	2,505
Loans from bank	6	12	51	96	165
Total	377	70	319	7,240	8,006
Year ended 30th June 2023					
Trade payables	485	336	598	3,598	5,017
Payables to related parties				2,506	2,506
Loans from bank	16	32	144	124	316
Total	501	368	742	6,228	7,839



iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the company’s borrowings at the year-end were to increase/decrease by 1% percentage points, with all other factors remaining constant, the post-tax loss/profit would be lower/higher by

Currency risk

The Company operates wholly within Kenya and its assets and liabilities are reported in the local currency.

(b) Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the company consists of debt, which includes the borrowings and equity comprising issued capital, capital grant and revenue reserve as disclosed in notes 17, 18, 19& 21. In order to improve on the capital structure, the company may replace the short term funding with long term funding and also improve on the efficient management of working capital particularly the accounts receivables.

	2024	2023
	Kshs	Kshs
Total Debt	3,577,606,733	4,023,894,957
Less cash and cash equivalents (Note 21)	338,424,822	387,807,587
Total Debt net of cash	3,239,181,911	3,636,087,370
Total equity	(2,246,822,540)	(1,318,016,258)
Total Capital resources	992,359,371	2,318,071,112
Gearing (net debt over total capital resources)	327%	157%

41. Incorporation

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

42. Events After the Reporting Period

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

43. Currency

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

44. Comparatives

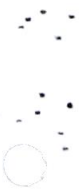
Comparative figures are adjusted to conform to changes in presentation in the current year where necessary.



Appendix 1: Progress on Follow up of Auditor Recommendations

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
1.	<p>Material Uncertainty in Relation to Going Concern</p> <p>The statement of profit or loss and other comprehensive income reflects a loss of Kshs.854,033,307 which decreased the revenue reserves from a negative balance of Kshs.8,653,100,445 as at 30 June, 2022 to a negative balance of Kshs.9,507,133,752 as at 30 June, 2023. Further, the Company's current liabilities balance of Kshs.6,687,310,010 exceeded its current assets balance of Kshs.4,846,383,909, resulting to a negative working capital of Kshs.1,840,926,101. The Company is technically insolvent and may not be able to meet its current obligations as and when they fall due. In the circumstances, the going concern of the company could not be confirmed.</p>	<p>The going concern is mostly affected by the related party expenditure, NCCG asset not in our books and the low tariff. The Loan Amount is unknown and the loan installment was arbitrarily set in the approved Tariff. The assets operated by the company from NCCG are not included in the books of the company. We have requested for titling from NCCG. We have also requested for tariff indexation and we are engaging WASREB for a new tariff that is responsive to the existing conditions</p>	NCCG/ AWW DA/W ASREB /MD	Partially resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		at any given time hence this means that the Company is not technically insolvent			
2.	Inaccuracies in Revenue The statement of profit or loss and other comprehensive income reflects operating income amount of Kshs.10,309,017,771 as disclosed in Note 6 to the financial statements. The following inaccuracies were noted				
2.1	Operating Revenue Included in operating income amount of Kshs.10,309,017,771 is Kshs.10,033,152,859 collected in respect of water sales, sewer services and meter rent during the year under review. The revenue was collected through three (3) systems namely Basis II, CMS and Jisomee of Kshs.9,515,917,680, Kshs.442,251,046 and Kshs.74,984,133 respectively. Recalculation of revenue as reported in the schedules for Basis II system provided by	The amount Kshs.1, 566,528 are bills for other services other than water, sewer and meter rent like: final de-enrolment billing and private exhausted services.	CD/CB M/FD	Resolved	



Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	management for audit purposes indicated that total revenue amounted to Kshs.9,517,484,208, resulting to an unreconciled variance of Kshs.1,566,528.				
2.2	Revenue from Other Services Note 6 to the financial statements reflects income relating to billing for other services of Kshs.275,864,912. Included in the amount are bills totalling to Kshs.1,197,160 relating to various accounts described Non-Billed Customers with no meters, meter readings and consumption but positive bills whose nature could not be traced to the gazetted water tariff structure	Kshs.1,197,160 are effluent discharge licence billings and is part of Kshs.1,566,528 bills for other services other than water, sewer and meter	CD/CB M/FD	Resolved	
2.3	Meter Readings with Negative Consumption Volumes Note 6 to the financial statements, reflects water sales Kshs.5,492,457,913. However, analysis of Basis 2 revenue schedules revealed accounts with 114,607 M3 of actual meter	Estimated Meter Readings with Negative Consumption arises where an account that is being estimated undergoes a meter change. If this	CD/CB M/ICT D/FD	ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	readings with negative consumption volumes and positive bills amounting to Kshs.4,140,442. This may have led to overstating the revenue by Kshs.4,140,442	meter change happens after the implementation date of the New Tariff, then the system will apply the 75% sewer volume vis- a -vis the old tariff that was charging 100% of the volume and end-up with negative consumption			
2.4	Meter Reading with Negative Bills Note 6 to the financial statements, the Company earned Kshs.5,492,457,913 from water sales. Analysis of Basis 2 revenue schedules further shows accounts with 4,271 M3 of actual meter readings and positive consumption volumes but negative bills amounting to Kshs.1,119,296. This may have resulted in understatement of revenue thus casting doubt on the reliability of the revenue information.	Meter Reading with Negative Bills arises from prior billing estimates. The current billing system will reconcile and give a credit where the account has been estimated and the total current bill is less than the total estimated bills. As observed, the financial statements did not include the separation of reconciliations between prior and current financial	CD/CB M/ICT D/FD	ongoing	

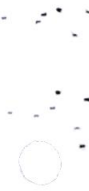
Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		years. This has been noted and the system will be upgraded to provide this separation report.			
2.5	<p>Negative Balance in Jambo Pay Formal Sector</p> <p>Review of records revealed that the Company received Jambo pay services from two (2) Jambo pay accounts. As at 30 June, 2023, Jambo pay formal sector had a negative balance of Kshs.647,484 and Jambo pay Mashinani/Jisomee had a balance of Kshs.9,602,418. The negative balance in respect to Jambo pay formal sector has not been explained.</p> <p>In the circumstances, the accuracy and completeness of the operating income amount of Kshs.10,309,017,771 could not be confirmed</p>	<p>M/s Jambo pay made excess transfer to Nairobi city water from this account during the period. This was confirmed during reconciliation and since this was done after the year end it was agreed to have the funds offset against future receipts. The contract with Jambo pay has been terminated and reconciliation has been carried out and Jambo pay was allowed to offset the amount from the subsequent collections.</p>	FMR/F D	Resolved	
3.0	<p>Inaccuracies in Licensing, Lease and Levy Expenses</p> <p>The statement of profit or loss and other comprehensive reflects</p>	<p>The levy is based on the volume of water abstracted as per the tariff</p>	MDnm/ TD/PM	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>general and operational expenses of kshs 3,221,920,178 as disclosed in note 11 to the financial statements. Included in the amount is licensing, lease and levy expenses of Kshs.1,246,462,687, out of which an amount of kshs 98,200,018 was billed by Water Resources Management Authority (WARMA) for 196,400,036 m3 of water abstracted. The amount billed however differs with the reported production of 180,816,151 m3 or Kshs.5,492,457,913, resulting to a variance of 15,583,885 M3 or Kshs.473,360,507 which was not reconciled.</p> <p>In the circumstances, the regularity, accuracy and completeness of the licensing, lease and levy expenses of Kshs.1,246,462,687 could not be confirmed.</p>	<p>condition translating to kshs 98,000,018.</p> <p>The figure for abstracted water of 196,400,036m3 is the raw water (untreated water); in every production process like a water treatment there is inevitably the waste stream from the process.</p> <p>The reported production volume was 180,816,151m3. The resulting variance of 15,583,885m3 is therefore waste water arising from the water treatment processes (sedimentation and filters backwash processes) which gives overall treatment process efficiency of 92% well within acceptable level.</p>			



Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>The Kenya Ministry of Water and Irrigation Practice Manual for Water Supply Systems (2005 edition, page A28) recommend 5% water loss as internal water demand due to backwashing of rapid sand filters when designing a conventional treatment plant (Document available on internet: https://iekenya.org/Manuals/Water%20Design_Manual_2005.pdf).</p> <p>However, there are other losses from desludging of clarifiers and age factor.</p> <p>The Company is exploring on managing this waste water by recycling this water in future and</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>thereby improve the efficiency which requires a high capital investment for the required infrastructure.</p> <p>The water Act and regulations stipulate that water charges payable to Water Resources Authority shall be based on raw water (abstracted water from surface water or ground water) hence the raw water volume reported to WRA</p>			
4.0	<p>Trade and Other Receivables - Unsupported CMS Billing</p> <p>The statement of financial position reflects trade and other receivables balance of Kshs.4,023,997,114 as disclosed in Note 20 to the financial statements. As disclosed in the Note, gross trade receivables balance was Kshs.9,568,295,925, out of which the trade receivables balance is Kshs.4,930,740,341 in respect of CMS billings for 103,332 accounts as supported by</p>	<p>The accounts are being validated before transfer to the new billing system.</p>	FMR/R Ms/CB M/CD/ FD	Ongoing	



Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>schedules. Information provided by Management indicates that CMS billing was decommissioned and is no longer in use. The customers were transferred to the new system in use called Basis II. Management further explained that the reason the 103,332 accounts were not transferred is due to their locations being unknown. It was however noted that the same customers are billed outside the system and the receivables amount in regards to the CMS billing increases</p> <p>In the circumstances, the accuracy and completeness of trade and other receivables gross of Kshs. 4,023,997,114 could not be confirmed.</p>				
5.0	<p>Unsupported Grant Income Balance</p> <p>The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflect grant income amount of Kshs.205,211,944. This amount has not been supported by any documentation including agreements and usage of the grant.</p>	<p>The amount of kshs 205,211,944 comprises of Grant amortization of kshs 193,775,766 arising from grants for the OBA project Outer Ring Road project which are complete and commissioned and Kshs 11,436,178 grant received from Athi Water</p>	FM(E&R)/FD	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	In the circumstances, the accuracy and completeness of the grant income amount of Kshs.205,211,944 could not be confirmed.	Works Development Authority. The communication issuing the grant is hereby attached.			
6.	Inaccuracies in Property, Plant and Equipment				
6.1	<p>Failure to Revalue Fully Depreciated Assets</p> <p>The statement of financial position and as disclosed in Note 17 to the financial statements show assets with a net book value of Kshs.3,383,858,130. However, the amount excludes the values of 166 plant and machinery, 369 motor vehicles and motor cycles, 3276 items of equipment, 52 computers and 2864 items of furniture and fittings which have been fully depreciated yet in use and have not been revalued.</p>	<p>An asset that is fully depreciated and continues to be used in the business may be reported on the balance sheet at its cost along with its accumulated depreciation. There will be no depreciation expense recorded after the asset is fully depreciated. No entry is required until the asset is disposed of through retirement, sale, salvage or revaluation. Revaluation is a</p>	FD/SC M/FM(E&R)	Ongoing	



Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>professional service and the company is in the process of acquiring this service to enable valuation of assets.</p> <p>A provision has been set in the Budget of 2024/2025 Financial year to support these activities.</p>			
6.2	<p>Unsupported Land Balance</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.3,383,858,130 as disclosed in Note 17 to the financial statements. However, it was noted that the land at Ndakaini dam had been encroached on by private developers including the construction of a recreational centre. Further, a parcel of land at Kariobangi sewerage and two (2) parcels at Ruai sewerage plants measuring 90 hectares and 1,272.90 hectares respectively had no ownership documents</p>	<p>The Ndakaini dam land, kariobangi land and other assets owned by other party's whose ownership document had not been transferred to the Company although operated by the Company are not included in the financial statement. The financial statement comprises only assets owned and</p>	MD/N CCG/C S/BOD	Not resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>In the circumstances, the accuracy and completeness of the assets with a net book balance of Kshs.3,383,858,130 could not be confirmed.</p>	<p>acquired by the Company during its lifetime. However the company is assisting in the following measure to facilitate transfer of the ownership;</p> <p>(i) In 2023/24 budget, NCWSC budgeted for surveying and titling of Ndakaini dam. The exercise is being undertaken by a multi sectoral committee comprising the Ministry of Lands, Nairobi City County Government and the Company. This exercise is meant to address issues of ownership and encroachment.</p>			



Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>(ii) NCCG is the legal owner of the fixed assets under the custody of NCWSC.</p> <p>Consequently, they are the custodian of the ownership documents.</p> <p>The land belongs to the county government of Nairobi and hence the ownership documents are not held by the Company</p>			
	Other Matter				
	<p>Prior Year Unresolved Issues</p> <p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template</p>	<p>Some prior year issues within the purview of management have been addressed while others require other third parties for intervention and the Company has communicated to the relevant authorities for action</p>		Partially resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	Basis for Conclusion				
1.	<p>Non – Revenue Water</p> <p>Review of documents provided for audit revealed that the Company produced 180,816,151 m³ of water during the year. However, analysis of total billed quantities in respect to Basis II revealed production of 70,341,331 m³, CMS system of 3,307,241 m³ and Jisomee system of 1,088,295, all totalling 74,736,867 m³, resulting to Non-Revenue Water amounting to 106,079,284 m³ or 59% of the total production. This could have resulted into a loss in revenue amounting to Kshs.3,240,550,168. Further, physical inspection carried out in the month of February, 2024 at Sasumua Dam and treatment works, Ndakaini Dam, Ngethu treatment works, Kabete treatment, Kabete reservoir and Gigiri reservoir revealed the following anomalies;</p> <p>i. Management explained that water from Sasumua dam and treatment works is transmitted to Kabete treatment works for distribution. Review of records revealed that Kabete receives 34,600 m³ of water daily from Sasumua dam and treatment</p>	<p>i. Sasumua Water Balance:-</p> <p>As water is transmitted from Sasumua to Kabete terminal reservoirs, the riparian community (upstream of Kabete Water Treatment works), is also legally supplied with water as per the following consumption breakdown;</p> <p>a. Water consumed by Karuri and Githunguri Water Services Providers, along Sasumua water transmission pipeline in the FY 2022/23 is 1,110,131.37 m³,</p>	MD/TD /PM		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>works, resulting to a total of 12,629,000 m³ in a year. Further, production records at Sasumua dam and treatment works indicated that total production during the year was 21,186,532 m³. The variance between the two sets of information of 8,557,532 m³ represents approximately 5% of production, equivalent to Kshs.274,622,895 which could not be accounted for.</p> <p>ii. Review of records provided revealed that during the year under review, Gigiri reservoir received a total of 81,788,166 m³ for distribution, whereas Ngethu treatment works produced 151,072,881 m³. The variance of 69,284,715 m³ or 38% of production equivalent to Kshs.2,104,587,339 was not accounted for.</p> <p>The 59% non-revenue water was above the allowable loss of 25% set by WASREB Guidelines. The unaccounted-for water may have resulted into loss of sales estimated at Kshs.3,240,550,168.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>equivalent to 5.2% of Sasumua water production. This volume is measured using mechanical and smart bulk meters.</p> <p>b. Water consumed within Nairobi City Water & Sewerage Service Area, upstream of Kabete Water Treatment Works in the FY 2022/23 is 2,357,636.76 m³, equivalent to 11.1% of Sasumua water production. This volume is measured using mechanical bulk meters.</p> <p>c. Inflow into Loresho reservoir, supplied by an offtake off Sasumua pipeline on the upstream of</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>Kabete Water Treatment Works, in the FY 2022/23 is 3,028,464.64 m³, equivalent of 14.3% of Sasumua water production. The volume is measured using an insertion electromagnetic flow meter.</p> <p>d. Inflow into Kabete reservoir in the FY 2022/23 is 13,522,162.24 m³, equivalent to 63.8% of Sasumua water production. The flow is measured using an insertion electromagnetic flow meter.</p> <p>e. The total water production at Sasumua, in the FY 2022/23 is 21,186,532.17 m³</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>The Sasumua water transmission losses, in the FY 2022/23 is 1,168,137.16 m³, equivalent of 5.5% of the Sasumua Water Treatment Plant production.</p> <p>ii. Ngethu WTP Water Balance:</p> <p>As water transmitted from Ngethu to Gigiri, the riparian community (upstream of Gigiri Reservoir complex), is also legally supplied with water as per the following consumption breakdown;</p> <p>a. Water consumed by</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>Githunguri and Kiambu Water Services Provider, along Ngethu transmission mains, in the FY 2022/23 is 2,448,284.05 m³, equivalent of 1.62% of Ngethu Water production. The flow measured using mechanical and smart bulk meters</p> <p>b. Water consumed through transmission offtakes within Nairobi Water Company service area in the FY 2022/23 is 8,282,062.82 m³, equivalent of 5.48% of Ngethu water production. The flow is measured using</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>mechanical bulk meters.</p> <p>c. Water inflow into Kiambu reservoir, situated upstream of Ngethu reservoirs, in the FY 2022/23 is 40,420,828.06 m³, equivalent of 26.76% of Ngethu water production. The flow is measured using an insertion electromagnetic flow meter.</p> <p>d. Water inflow into Gigiri reservoirs in the FY 2022/23 is 88,705,289.78 m³, equivalent to 58.72% of Ngethu water production. The inflow is measured using an electromagnetic insertion flow</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>meter and inline ultrasonic flow meters.</p> <p>e. The total Ngethu water production in the FY 2022/23 is 151,072,881 m3.</p> <p>Water transmission losses along Ngethu - Gigiri pipelines, in the FY 2022/23 is 11,216,416.73 m3, equivalent to 7.42% of the production.</p>			
2.	Delays in Completion of projects Review of projects implementation status report provided by the Company revealed that sixty-one (61) projects with a total contract cost of Kshs.1,454,125,121 had not been completed as at 30 June, 2023. The amount comprises thirteen (13) projects with a cost of Kshs.12,431,941 which are being undertaken by the Company and forty-eight (48)	NCWSC has encountered various challenges in execution of our contracted projects from Non - performance by contractors, relocation of power lines, wayleave availability/ encroachment, delay in payment of contractors,	MD/TD /FD/NC CG/KU RA	Partially resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>with a total cost of Kshs.1,441,693,180 which are being undertaken by contracted firms. The projects were started on various dates between 2014 and 2022 with projects periods ranging between 6 months and two (2) years. The projects are in various stages of completion ranging from 30% to 90%.</p> <p>In the circumstances, the value for money on Kshs.1,454,125,121 incurred on the projects could not be confirmed.</p>	<p>community disputes and approvals from relevant government authorities.</p>			
3.	<p>Irregular Procurement and Implementation of Oracle HCM Licenses</p> <p>Review of records revealed that the Company entered into and awarded the contract for provision of Oracle HCM Licenses, installations and configuration of Oracle HCM Applications to a contractor on 2 December, 2022. The contract included seven licenses and six deliverables at a cost of Kshs.69,966,687. The contract was to be completed in a period of six months. However, the following anomalies were noted;</p>	<p>Request to the vendor for the renewal of the performance bond was done in October 2023 as per the attached communications (Appendix 18).</p> <p>The two-year support is post implementation and will be effective from the</p>	ICTD/S CM	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>i. The bid security was for 240 days but no evidence of renewal of bid security has been provided for audit.</p> <p>ii. The deliverables included two years' support at a total cost of Kshs.1,654,876 but the licenses have not been put to use a year since the Project was started.</p> <p>iii. The deliverables included air tickets and training fees for eight (8) officers to attend Oracle University in Dubai or Europe for training on implementation of the project for eight days at a cost of Kshs.7,597,655. The deliverables also included training and Go-Live at a cost of Kshs.3,217,654. It was not explained why the contractor needed to take staff outside the country for training whereas the contractor had in her proposal demonstrated capacity, expertise and technological ability to undertake the work.</p> <p>iv. The project has not been fully implemented since the licenses are not in use despite the fact that the six months' implementation time has elapsed. In the circumstances, the value for money on Kshs.69,966,687 incurred on the projects could not be confirmed.</p>	<p>Go-live date in April 2024. Management has not paid any money for two-year support.</p> <p>Training</p> <p>This was part of the tender document. The training in certified oracle university was meant to equip the functional and technical teams with in-depth knowledge of oracle HR functional modules. The technical knowledge will be key in ensuring that the consultant delivers as per the best practice. In addition, the training equipped the technical and functional team</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>with skills to support the system post implementation.</p> <p>Standard recognized Oracle training is only offered by the recommended oracle education partners/university .</p> <p>The go-live training is meant for end users who use the system on a day to day basis. This includes navigation and operation of the system cutting across all the functions in the company using HCM system. Management has not paid 3,217,654 fee for the training and go-live date.</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>The licenses are being utilized from the installation, customization, test runs and go-live. Installation and customization has been completed and currently test run is being carried out for data validations in preparations for go-live in April 2024.</p> <p>The setup is integrated with i-Proc (oracle supply Chain Management system) and oracle financials. The data from core HR system feeds to oracle i-proc supply chain and oracle finance system in defining the user matrix, roles and responsibilities</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
4.	<p>Irregularities in Management of Staff Costs</p> <p>The statement of profit or loss and other comprehensive income reflects personnel costs of Kshs.6,974,281,616 as disclosed in Note 9 to the financial statements. The following observations were made</p>				
4.1	<p>Payment of Overtime Allowances Included in staff costs amounting to Kshs.6,974,281,617 is Kshs.478,495,345, being payment of overtime. Review of records revealed that 393 employees were paid overtime allowances for 12 consecutive months amounting to Kshs.167,658,495 despite the human resource policy directing 30 days leave within a financial year. This implies that the staff worked throughout the year on normal hours and overtime, which was, contrary to Employment Act, 2007 where an employee is entitled to an annual leave each year.</p>	<p>As per the accounting policy overtime is paid when it is claimed and approved. The payment for overtime for 12 consecutive months may happen if the staff proceed on leave in the course of current month and return in the middle of the next month. The staff leave follows the calendar year month and hence a staff can take leave early in previous calendar year and later in the succeeding calendar year which will not fall</p>	DHRA/ HRM	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		in the financial year. The staff is allowed to take at least 2 weeks leave uninterrupted and hence carry forward the remaining days.			
4.2	Acting for More than Six Months Review of the payroll revealed that there were fifty-eight (58) members of staff who had acted for more than six (6) months, contrary to Section 5 of the Company's Human Resource Policy Manual that required a staff to act for maximum period of six (6) months or as determined by appointing authority. The staff were paid a total of Kshs.18,450,154 in acting allowance for the period they were acting	While the acting is to go for six months the policy allows the appointing authority to extend as may be determined.	MD/D HRA/H RM	Ongoing	
4.3	Unsustainable Wage Bill The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.6,974,281,617 and operating income of Kshs.10,309,017,771. The Company's salaries were at 68% of the operating income. This	The Company water system was designed to operate with fully charged water system but at the moment due to scarcity of water necessitates rationing of water which involves	MD/D HRA/H RM	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>was in violation of Section 107 (1) of the Public Finance Management Act, 2012 which provides that the County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations. The limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the entity's total revenue.</p>	<p>more staff. This results in increase in personnel costs such as salaries and overtime. Additionally, the Company is not recruiting except for essential areas.</p> <p>The Company is pursuing additional water sources and a responsive tariff to maintain the staff ratio within the acceptable range.</p> <p>a) The Company froze recruitment except for critical areas where there is no internal capacity. This has seen the staff level come down from 3663No. in August 2017 which was</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>the highest to the current 2963No.</p> <p>b) Filling of vacant position up to Manager level is done from within the internal market to leverage on the high personnel cost.</p> <p>c) Staff harmonization to ensure optimal utilization of staff is undertaken on continuous basis</p>			
4.4	<p>Unjustified Bonus</p> <p>Note 9 to the financial statements reflects a bonus payment of Kshs.21, 900,438. However, the Company reported a loss of Kshs.854,041,707 hence did not justify payment of bonus.</p>	<p>This is a token in appreciation of employees for their commitment to the organization, ensuring provision of quality services despite the inadequate water supply and dilapidated infrastructure. This was approved by the Board of Directors. As per our chart of accounts it's</p>	MD/D HRA	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		described as "Bonus" for accounting analysis only.			
4.5	<p>Noncompliance with the Persons with Disabilities Act, 2003</p> <p>Review of the payroll records revealed that only forty-three (43) employees out of 3,117 were in the category of persons with disabilities. They constituted only 1.37% of the total employees which was below the recommended level of 5% under, contrary to Section 13 of the Persons with Disabilities Act, 2013 which provides that the Council shall endeavor to secure the reservation of five percent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.</p>	<p>The company offers equal opportunities for all internal employees and prospective employees as per the HR Manual Section 4.1 on Employment Policy which provides 'NCWSC fully subscribes to the doctrine of Equal Employment opportunities for qualified personnel both female and male regardless of ethnicity, race, culture, disability and religion or relationships'.</p> <p>The employees registered as disabled are</p>	MD/D HRA	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		facilitated in accordance with the law and government guidelines. The Company will continue to sensitize employees with disability but not registered with the Council for People living with disability to do so. The Company will strive to ensure compliance in future recruitment to improve on the percentage			
4.6	Non-compliance with National Cohesion and Integration Act, 2008 on Ethnic Diversity Review of payroll records provided for audit revealed that the Company had 3,117 members of staff as at 30 June 2023. Analysis of the staff register for the month of June 2023 showed that 1402 representing 45% of the total staff were from one ethnic community. This was contrary to Section 7(1) & (2) of the National	Most of the staff were engaged prior to the National Cohesion and Integration Act, 2008 and in recent recruitment ethnic balancing was done and going forward the Company will ensure ethnical balancing. The company strives ensure Regional balance in	MD/D HRA	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and no public establishment shall have more than one third of its staff from the same ethnic community.	recruitment without compromising the requirements of the various jobs.			

Appendix II: Projects Implemented by the Company

Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Conso in thes financ statem (Yes/N
1.Improvement of access to safe water (Mukuru & Mathare)	NCWSC/34/2022	Unicef		26,671,832	No	yes

Status of Projects completion

Project	Total project Cost Ksh	Total expended to date Kshs	Completion % to date	Budget	Actual	Sources of funds
1. Improvement of access to safe water (Mukuru & Mathare)	21,466,399	21,466,399	100%	26,671,832.	21,466,399	Unicef