

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**NZOIA WATER SERVICES COMPANY
LIMITED**

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

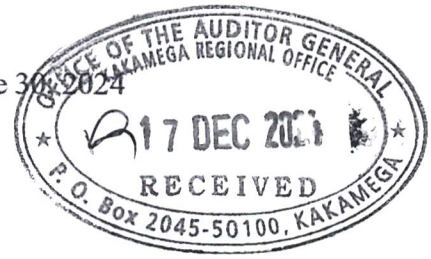
PAPERS LAID	
DATE	21/9/24
TABLED BY	Sen. Ledama
COMMITTEE	
CLERK AT THE TABLE	Meng

1. 2. 3.

4.



Nzoia Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024



NZOIA WATER SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

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

TABLE OF CONTENTS

1.	ACRONYMS AND GLOSSARY OF TERMS	ii
2.	KEY ENTITY INFORMATION	iii
3.	THE BOARD OF DIRECTORS	vi
4.	KEY MANAGEMENT TEAM.....	viii
5.	CHAIRPERSON’S STATEMENT	ix
6.	REPORT OF THE MANAGING DIRECTOR.....	xi
7.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024.....	xiv
8.	CORPORATE GOVERNANCE STATEMENT.....	xvi
9.	MANAGEMENT DISCUSSION AND ANALYSIS.....	xix
10.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxiii
11.	REPORT OF THE DIRECTORS	xxv
12.	STATEMENT OF DIRECTORS RESPONSIBILITIES	xxvi
13.	REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NZOIA WATER SERVICES COMPANY LIMITED	xxvii
14.	STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 th JUNE, 2024	1
15.	STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE, 2024	2
16.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 th JUNE, 2024.....	3
17.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 th JUNE 2024	4
18.	STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 th JUNE 2024	5
19.	NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 th JUNE, 2024	8
20.	APPENDICES	30
	APPENDIX I: PROGRESS ON FOLLOWUP OF AUDITORS RECOMMENDATION	
	APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	42
	APPENDIX III: INTER PARTY TRANSFERS.....	42
	APPENDIX IV: RECORDING OF TRANSFER FROM OTHER GOVERNMENT ENTITIES.....	42
	APPENDIX V: EXPLANATION ON VARIANCES BETWEEN THE ACTUAL AND BUDGETED AMOUNTS.....	42

1. ACRONYMS AND GLOSSARY OF TERMS

<i>BOD</i>	Board of Directors
<i>ICPAK</i>	Institute of Certified Public Accountants of Kenya
<i>IFRS</i>	International Financial Reporting Standards
<i>LVNWWDA</i>	Lake Victoria North Water Works Development Agency
<i>MD</i>	Managing Director
<i>NZOWASCO</i>	Nzoia Water Services Company Limited
<i>PFM</i>	Public Financial Management
<i>PSASB</i>	Public Sector Accounting Standards Board
<i>SPA</i>	Service Provision Agreement
<i>WASREB</i>	Water Services Regulatory Board
<i>WRA</i>	Water Regulatory Authority
<i>WSP</i>	Water Service Providers
<i>WSTF</i>	Water Sector Trust Fund

2. KEY ENTITY INFORMATION

a) Background Information:

Nzoia Water Services Company Limited was registered under the company's Act (CAP 486) on 4th February 2004 and became operational a year later on 9th February 2005. The Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has regions in Kitale, Bungoma, Webuye, Kimilili and Chwele. The company is fully owned by the County Governments of Trans-Nzoia and Bungoma under the water Act 2016 and mandated to provide water and sewerage services within the two Counties.

The company operates several water treatments works namely; Kapolet and Nzoia in Trans-Nzoia County and Nabuyole, Matisi, Kapkateny, Kamtiong` and Chesikaki all in Bungoma County.

b) Principal activities

The principal activity of Nzoia Water Services Company Limited is to provide adequate water and sanitation services efficiently, economically and in a sustainable manner to all consumers in areas under its jurisdiction.

Company Vision:

To be a world class water service provider.

Company Mission:

To provide quality portable water and sanitation services in a sustainable manner using world class practices for the satisfaction of customers and stake holders.

Core Values:

These values form the foundation on which we perform our work and conduct ourselves. The values underlie our work, how we interact with each other, and the strategies we employ to fulfill our mission. They are the practices we use every day in everything we do and are a constant description of who we are. Our core values include the following:

Customer Focus, Professionalism, Integrity, Team Work and Innovation & Creativity

The mandates of the Company are as follows:

- To ensure that it possesses and retains all the necessary expertise necessary to the technical, commercial, financial and administrative functions.
- To provide the services within its Defined Service Area.
- To meet all the required water standards, guidelines and provisions of the Service Provision Agreement (SPA)
- To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.
- To maintain the assets in good working condition and not to dispose of any assets without the authorization of the Licensee.
- To prepare proposals for improvement of the assets so as to enhance service delivery.
- To propose tariff adjustments to the Licensee and Regulator.

c) The Water Sector in Kenya

The Water Act 2016 created different but complimentary institutions to carry out functions in the sector. These include:

- **Ministry of Water and sanitation** –Responsible for policy and direction on water and sanitation services in the country.
- **The Water Services Regulatory Board (WASREB)** -Responsible for regulation of water and sewerage services in the country.
- **Water Works Development Agencies (WWDAs)** – Responsible for development, maintenance and management of the national public water works within their areas of jurisdiction.
- **Water Service Providers (WSPs)** – Are agents of County Government. NZOWASCO is an agent of Bungoma and Trans-Nzoia County Government and it is responsible for provision of water and sanitation services in the jurisdiction of Kitale, Bungoma, Webuye, Kimilili and Chwele.
- **Water Resources Authority (WRA)**- Responsible for regulation, management and use of water resources.
- **National Water Harvesting Authority**- Responsible for the development and management of national public water works for water resources storage and flood control.
- **Water Sector Trust Fund**- Responsible for the provision of conditional and unconditional grants to counties in addition to the equalization fund and to assist in financing the development and management of water services in marginalized areas/ underserved areas.
- **County Governments**- Under the constitution 2010, water and sanitation services is a devolved function under the County Governments.

d) The Board of Directors

The Company has a Board of Directors which is responsible for:

- a) The efficient management of the human, physical, and financial resources of the Company;
- b) Making policies for the Company;
- c) Approving Strategic and Business plans for the Company;
- d) Any other matters related to the management of the Company;

Members of Board of Directors who held office during the year under review were the following:

Carolyne Nalyanya Mutoro	Chairperson	Non-Executive	Appointed on March 2023
Herbet Wanjala Kibungunchy	Director	Non-Executive	Appointed on April 2023
Oscar Ojwang	Director	Non-Executive	Appointed on April 2023
Pepela Wanjala	Director	Non-Executive	Appointed on March 2024
Catherine Laura Mamuli	Director	Non-Executive	Appointed on March 2023
Boniface Wanyonyi	Director	Non-Executive	Appointed on March 2023
Robert Tigogo	Director	Non-Executive	Appointed on October 2019
Joseph Munyasi	Director	Non-Executive	Appointed on October 2019
CPA Mathew Maruti Wakhungu	Managing Director	Executive	Appointed on July 2020

Corporate Secretary:

Pamphil Matsekhe Oundo,
 P.O Box,673-50100
KAKAMEGA.

Corporate Headquarters:

Nzoia Water Services Company Limited,
 P.O Box 1010 – 50205,
WEBUYE

Corporate Contacts:

Telephone:(254) (020)2060536
 E-Mail: info@nzoiawater.or.ke
 Website: nzoiawater.or.ke

Corporate Bankers:

Equity Bank Limited,
 Kitale Branch,
 P.O Box 801 – 30200,
KITALE.

Kenya Commercial Bank,
 Webuye Branch,
 P.O Box 332 – 50205,
WEBUYE






Independent Auditors:






Office of the Auditor General,
 Anniversary Towers, University Way,
 P.O Box 30084- 00100 GPO,
NAIROBI.

Principal Legal Advisers:

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

3. THE BOARD OF DIRECTORS


	<p>Carolyne Nalyanya Mutoro – Chairperson (Born 1974) She has a bachelor’s degree in Public health from Jomo Kenyatta University Nairobi. She has a diploma in water technology from Kenya polytechnic. She is currently the health coordinator at the Catholic diocese of Kitale.</p>
	<p>Catherine Laura Mamuli – Director (Born 1978) She has a Doctor of Philosophy in Human Resource Management, Jaramogi Oginga Odinga University of Science and Technology. She has a Master of Science in Human Resource Management Masinde Muliro University of Science and Technology and a Bachelor of Education (Arts), Moi University. She is currently a senior lecturer at Kibabii University.</p>
	<p>Herbert Wanjala Kibunguchy – Director (Born 1957) He is a holder of Bachelor’s degree in civil engineering from California State University Sacramento. He is the current county executive Committee member for Environment, natural resources, water and energy, Bungoma county.</p>
	<p>CPA Mathew Maruti Wakhungu – Managing Director (Born 1970) He has Master of Business Administration with a bias in Finance at Kenyatta University. He holds a Bachelor of Business Administration from Kenya Methodist University and a Certified Public Accountant of Kenya and a member of ICPAK. He is the Secretary to the Board.</p>
	<p>Joseph Munyasi - Director (Born 1962) He holds a PhD in Forage/Crop Eco-physiology from University of Eldoret and a Master’s of Science from Southern Cross University Lismore Australia. He holds Bachelors of Science degree (Natural Resources Management) from Egerton university Njoro and a Diploma in Range Management from Egerton University. Currently he is a Senior research officer at Kenya Agricultural and Livestock Research Organization, Part time lecturer at University of Eldoret in the department of Agriculture and Biotechnology and school of Natural Resources and Management. He is a member of Animal Production Society of Kenya (APSK), Member of Environment Institute of Kenya (EIK) and a member of Kenya Institute of Management (KIM).</p>

	<p>CPA Oscar Ojwang – Director (Born 1977) He holds a bachelor degree of Commerce (Accounting option) Nairobi University. He is a certified Public Accountant of Kenya and a member of ICPAK. He is currently the Chief Officer Finance and Economic Planning, County Government of Bungoma</p>
	<p>Pepela Wanjala (Dr.) – Director (Born 1959) He is a PhD Student, Health Information Management, Kenyatta University (2019-2023), holds a MSc. Health Information Management, University of Applied Science Neu Ulm (Germany), University of Western Cape (UWC), and Kenya Methodist University (KeMU) (2013-2015), BSc. Health Records and Information Management, Kenyatta University (2009-2012), Higher National Diploma in Epidemiology, KMTC (2007-2008), Diploma in Health Records and Information Technology, KMTC (1991-1994)</p>
	<p>Robert Tigogo- Director (Born 1973) He joined the Board in October 2019. He holds a Master’s in Business Administration (Strategic Management option) from Jomo Kenyatta University of Agriculture and Technology. He has a post graduate diploma in law from Kenya school of Law. Bachelor of Social law from Shivaji University and Bachelor of Laws-LLB (special) with 1st Class honors. He is a member of CPS-K, ICPSK.</p>
	<p>Bonface Wanyonyi – Director (Born 1964) He holds a master’s in business administration- (Finance) from university of Nairobi. He has degree in bachelors of Commerce (Accounting option from university of Nairobi. He is a member of ICPAK. He is the current County Executive Member (CECM)for Finance and Economic Planning, County Government of Trans-Nzoia.</p>
	<p>Pamphil Matsekhe Oundo – Ag. Corporation Secretary He is an advocate of the High Court of Kenya. The University of Nairobi LLM candidate, graduated from Moi university school of Law. He holds Diploma in law from KSL in the year 2013, was admitted to Bar and signed the Roll of Advocates in 2016, has 7 years post admission working and litigation experience in legal profession, possess current practicing certificate in good standing, he is the Legal and Compliance Officer at I.VSWWDA and the Ag. Company Secretary of NZOWASCO</p>

4. KEY MANAGEMENT TEAM

The day-to-day operations of the Company are run by Corporate Management Team (CMT) headed by a Managing Director.

The following are the Corporate Management Team:

	<p>CPA Mathew Maruti Wakhungu – Managing Director (Born He has Master of Business Administration with a bias in Finance at Kenyatta University. He holds a Bachelor of Business Administration from Kenya Methodist University and a Certified Public Accountant of Kenya and a member of ICPAK. He is the Secretary to the Board.</p>
	<p>Hudson Makhanu Wanjala – Head of Technical Services. He holds a Bachelor of Science in Civil and Structural Engineering from Masinde Muliro University of Science and Agriculture and a High National Diploma in Water Engineering from Kenya Polytechnic.</p>
	<p>CHRP.Serila Makali – Head of Human Resources and Administration Manager. Bachelor of Business Management (Human resource Management option) from Mount Kenya University. She has Diploma in Labour studies from Kenya Polytechnic. She has professional qualification in CHRP (K).</p>
	<p>CPA Ramadhan Kubende Odhiambo - Head of Finance and Accounting He holds a master of Business in Finance from Kenyatta University and a Bachelor of Commerce with a bias in finance from Kenyatta University. He also has certification in strategic management and leadership from Kenya institute of management. He is a Certified Public Accountant and a member of ICPAK.</p>
	<p>Felistus Supa Musonye- Head of Procurement and Supply chain management. She holds a bachelor degree in Business Management (procurement option). She is a licensed supplies management practioneer and a registered member of Kenya Institute and supplies management</p>
	<p>CPA Nelly Cheptanui Ng'eno- Ag. Head of Risk and Internal Audit Manager, She holds a Master of Business Administration (Finance Option) from Kabarak University, Bachelor of Business Management (Finance Option) from Moi University she is also a Certified Public Accountant of Kenya and a member of ICPAK.</p>

5. CHAIRPERSON'S STATEMENT

It is with great honor that I present to you the annual reports and financial statements of Nzoia Water Services Company Limited for the year ended 30th June 2024. Since its inception and operations in 2005, the company has continued to attain remarkable achievements in provision of water and sewerage services within its area of jurisdiction.

Operating Environment

The company operates in a regulated, stable business environment which complies with the provisions of the constitution, applicable laws and regulations in ensuring commercial viability. The company understands its strategic role to the achievement of the Sustainable Development Goals (SDG) in water and sanitation by the year 2030 and to the Government of Kenya in attainment of the big four (4) agendas. In the water industry, the cost of electricity which is the most common input remained high due to electricity tariff thus becoming the highest component in the cost of water production. The cost of chemicals and other inputs was at par.

Strategic Direction and Sustainability

The company implements its 5-year strategic plan through its annual approved work plan. Water demand outstrips its supply by a margin of 13,000m³ per day and sewerage coverage stands at about 16%. To bridge the gaps above, the company has put in place plans which includes;

- Extension of water lines under the last mile connectivity project.
- Design of the proposed KOICA water extension network.
- Sourcing of funds for implementation of the Water and Sanitation Master plans in Bungoma town.

Corporate Governance

NZOWASCO adheres to the highest standards of corporate governance at all times in line with Corporate Governance Guidelines developed by WASREB and supported by the Water Act, 2016. We continuously review our corporate governance structures in line with existing and emerging regulatory requirements. Every year, we undertake board evaluation which has led to clarity of roles and responsibilities, improved teamwork, accountability, decision-making, communication and efficient board operations.

Future outlook

NZOWASCO reaffirms its commitment to achieving the aspirations of the vision to be a world class water service provider in Kenya. Despite budgetary constraints and unforeseeable risks, the company undertakes to do various activities as envisaged in the strategic plan as stated below;

- Complete Chepbyuk Kibabii Complex Water Supply project which will increase water supply by 7,000m³/day
- Complete Kiptogos Water Supply Project which will increase water supply by 24,000m³/day
- Implement the approved cost- recovery tariff for both Water and Sewer services
- Project reduction of Non- Revenue Water to 30% by June 2025
- Continue to automate processes in the company
- Extend and rehabilitate water and sewer network within the service areas.
- Collaborate with development Partners with a view of improving water and Sewerage sources and supply infrastructure.

Dividends


In order to sustain optimum achievement of service coverage as a public utility company, the Board of Directors does not propose payment of a dividend. The reserves are to be utilized to support water development projects within the area of jurisdiction of the water Company in line with the regulator's guidelines.

Appreciation

We remain steadfast in delivering on our strategy and exceeding our customers' expectations. All this cannot be realized without your close collaboration and support from the County, staff and development partners. To all of you I say a big thank you.

Let us continue practicing our core values that is: Customer focus, Professionalism, Teamwork, Integrity, Innovation and Creativity to the contentment of our customers for the betterment of our country.

Thank you and stay blessed.



CAROLYNE NALYANYA MUTORO
CHAIRPERSON, BOARD OF DIRECTORS

6. REPORT OF THE MANAGING DIRECTOR

It is my pleasure to present the company's annual report and financial statement for the period 2023/2024 which covers the activities performed during this period. We are in the process of developing of our current five-year strategic plan that will see the company effect a strategic shift in its operations. Our strategy is firmly on course and we have been able to establish a strong footing in the provision of Water and sewerage services. The company performance in the year under review was underpinned by a continued focus on operational efficiency, adoption of new technologies, sound corporate governance and a strong control framework.

a) *Achievements*

During the 2023/2024 financial year the company made several achievements. The following achievements were realized during the year;

- i) The company ranked position forty six (46) overall amongst all Water Service Providers in Kenya (*WASREB Impact report No. 16*). This was a sterling performance and ranking have improved from position forty eight (48) in the previous year.
- ii) For the fourth year running, the company continued to adopt performance contracting framework in its operations. Performance targets are derived from the strategic plan, which is linked to the budget as well as departmental work plans. Performance management framework has seen transformation in the day-to-day operations.
- iii) In the year under review, the company maintained a positive cash flow. It realized a turnover of Kshs 14,005,928.
- iv) The company is operating under an interim License thus operating on a valid license issued by the regulator.
- v) The company has continued to embrace automation of its processes. Some of these include GIS mapping of water pipelines and consumer meters, instant billing and smart metering technology whose outcome reduced the turnaround time and improved efficiency.

b) *Challenges*

The company operated in an environment with challenges and other emerging issues. In the financial year under review, there were key challenges as highlighted below;

- i) Water shortage of about 14,000m³/day in Kitale town and its environs due to high demand as result of ever-increasing population growth and developments.
- ii) Inadequate funding to improve and rehabilitate old infrastructure in an effort to reduce the high Non-Revenue Water currently at 47% and initiate new expansion development programs.

- iii) The net outstanding debts stands at Kshs 439,409,795 (water & cleansing) for the reporting period compared to Kshs 435,553,173 in the last financial year.
- iv) Drop in Revenues due to frequent pump breakdowns and disconnection by KPLC .
- v) Performance declined due to de-clustering pressure between the two County Governments of Trans-Nzoia and Bungoma County respectively.

c) The general outlook

There is also a growing focus on sanitation by the County Government on potable water for both rural and underserved communities. Despite budgetary constraints, the company undertakes to implement programs as envisaged in its strategic plan. For the company to deliver its mandate, highlighted below are some activities to be rolled out and implemented;

- (a) Develop, expand, improve water distribution and supply infrastructure within the mandated area of coverage.
- (b) Extend and rehabilitate the sewer network within the service areas.
- (c) Complete the GIS mapping of water, sewerage infrastructure and customer points.
- (d) Project reduction of Non- Revenue Water to 30% by June 2025.
- (e) Continue to automate company processes.
- (f) Improvement of sanitation at the low-income areas.
- (g) Implement the approved cost- recovery tariff for both Water and Sewer services.
- (h) Collaborate with development Partners in regard to improving water sources and supply infrastructure.

d) Staff development

During the period, the company continued to improve staff competence in an effort to maintain good service delivery.

The managers who are members of various professional bodies were able to attend seminars, workshops and symposiums for the purpose of improving their skills, networking and job satisfaction. On Industrial Relations a healthy and cordial relationship was maintained between Kenya union of water and sewerage services and the management through continuous consultation and engagement on various issues affecting employees.

On employee retention, motivation and welfare, the company ensured total compliance with all policies put in place including the Collective Bargaining Agreement (CBA) and encouraged staff involvement and participation through staff meetings across all departments; as a result, risks of high labor turnover rates were mitigated.

On Learning and Development, the employees across all cadres attended various trainings/workshops for performance and skill enhancement as guided by a comprehensive Learning and Development plan.

e) Conclusion

On behalf of the management and staff of NZOWASCO, I extend our sincere appreciation to our Board, Shareholder, Customers, Regulators and other stakeholders. We shall count on your continued support and commitment as we steer NZOWASCO to even greater heights to improve on our products and services. The milestones outlined above would not have been possible without your support and understanding.

Thank you, God bless us all and NZOWASCO.



**CPA MATHEW MARUTI WAKHUNGU
MANAGING DIRECTOR**

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

Nzoia Water Services Company Limited has six strategic themes and objectives within the current Strategic Plan for the FY 2023-2028. These strategic themes are as follows:

Strategic Theme 1: Enhanced Water and Sanitation Coverage

Water and sanitation coverage refers to the population with access to potable water and sanitation services (either with a direct service connection or within reach of a public water point) as a percentage of the /total population under the utility's area of jurisdiction. NZOWASCO provides water services to 344,078, out of a population of 1,216,028 (WASREB Impact 16) in its licensed service area, which represents a 47% coverage. This population is mainly in the urban areas of Bungoma and Trans Nzoia Counties.

Strategic Theme 2: Improve operational efficiency

Water utility operational efficiency refers to the effectiveness and productivity of a water utility in providing safe and reliable water supply and wastewater services to its customers while minimizing costs and resource use. It involves the optimization of various aspects of a water utility's operations to enhance cost recovery. According to WASREB, the operational efficiency of a utility is measured by comparing the unit cost of production against the unit cost of water billed. By identifying and implementing cost savings, a utility can improve its financial position. One of the key challenges NZOWASCO has experienced is high operational costs in terms of chemicals and electricity/power and has been working towards identifying innovative ways of reducing operational costs. Specifically, the company is working on reducing NRW and adopting solar systems to try and reduce the cost of production.

Strategic Theme 3: Improve Financial Stability

This parameter monitors whether the utility fully complies with financial rules and regulations. The financial management at NZOWASCO is still a weak area and the utility is therefore not able to meet its O&M costs. Other factors include poor debt management, high NRW and non-compliance with regulatory requirements. A comparison of the unit cost of water billed against the average tariff is central in shaping the financial sustainability of the utility. NZOWASCO's tariff is not only expired, it is also not cost-reflective. NZOWASCO is embarking on a number of initiatives to improve financial sustainability including improving billing and revenue collection efficiency, increasing the number of new water and sewer connections, as well as activating the dormant ones. Other activities will focus on strengthening other revenue streams such as water bowsers.

Strategic Theme 4: Improve Employee Productivity

Employee or staff productivity assesses the effectiveness of employee utilization. It refers to the number of personnel employed per 1,000 connections (total active water and, where applicable, sewer connections). When it comes to evaluating employee productivity, large

utilities like NZOWASCO are expected to gain from economies of scale. For a large utility, 5 staff per 1,000 connections is categorized under 'good' performance. NZOWASCO has maintained 7 staff per 1000 connections, placing the utility's performance as 'acceptable', which means that NZOWASCO should strive to improve on this KPI by either reducing the number of staff or increasing the number of connections.

Strategic Theme 5: Effective Corporate Governance

Effective corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. Effective corporate governance is critical for maintaining transparency, accountability, and ethical conduct within a company. When corporate governance is effective, it not only enhances the reputation and trustworthiness of a company but also contributes to its long-term success by minimizing risks and fostering sustainable growth.

Companies should regularly review and improve their governance structures to adapt to changing circumstances and best practices and practices. As such, NZOWASCO should invest in a continuous improvement process by investing in the training and capacity building of the Board and management. Given that the board is responsible for ensuring financial sustainability, the Board should regularly assess, establish or improve internal controls, undertake independent audits and risk assessment processes that ensure the accuracy of financial reporting and prevent fraud, misconduct and safeguard the long-term interests of the stakeholders.

Strategic theme 6: Improved Customer satisfaction

Public utilities serve a wide range of customers from high to low-income. Equitable services and good customer management are crucial for maintaining a positive relationship and ensuring that all customers have confidence in the services provided. At NZOWASCO, at least 40% of connections (23410 out of 57,902) are dormant, which is an indicator of a shrinking business base that ultimately leads to poor quality of service. For effective management of customers, an accurate customer database is needed to eliminate duplication of accounts in the billing system or having disconnected customers being registered as new accounts. Towards this, the Regulator has put a condition for all licensed utilities to conduct a customer identification exercise, which enables the utilities to have a good every two years to ward off unregulated accounts. NZOWASCO is looking at enhancing its communication and effective engagement with customers through various physical meetings and social media platforms among other initiatives. Engagement with the customer will lead to continuous improvement of services and customer satisfaction efforts based on feedback received during the various engagements.

8. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of NZOWASCO is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent years, various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of NZOWASCO takes place within a framework, which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution
- The Water Act 2016
- The Companies Act, 2015
- The Public Financial Management Act 2012
- The Public Financial Management Regulation 2015
- The Public Procurement and Asset Disposal Act 2015
- Employment Act 2007
- The NZOWASCO Service Charter
- NZOWASCO approved policies and procedures

For the sake of coherence and legitimacy, it is in the best interest of the Company that the most appropriate type of governance instrument regulates its conduct.

The Board of Directors

The Company Board of Directors are appointed in accordance with section 69 of the Company's Articles of Association

The Board of Directors is responsible for the following: -

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organization structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets

- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long-term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly and has a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all Directors on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board has 8 non-executive members and 1 executive member who double as the Managing Director. Of the 8 non – executive directors four (4) represent the county governments of Trans Nzoia and Bungoma and are appointed by the respective Governors. Their term of office is dependent on the discretion of the Governors who appointed them. The other four (4) are competitively appointed and required to serve for a period of 3years based on performance and a third will retire at the end of their term, one (1) represents business community, one (1) represent professionals, one (1) consumer and one (1) represent women.

Under the manual, the company shall have a minimum of eight independent directors. A director is considered independent if he holds no interests or relationship with the company that may hinder his independence from the company or its management, which should interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Board Committees

Three (3) Committees support the Board namely: Technical Committee, Finance, Establishment, Audit, and Governance Committee all of which are required to report to the Board a summary of the actions taken at committee level.

Technical Committee	Dr. Joseph Munyasi - Chairman Herbert Wanjala Kibunguchy Robert Tigogo
Finance and Establishment Committee	Dr Catherine Laura Mamuli - Chairman Oscar Ojwang Dr Joseph Munyasi Dr. Papela Wanjala
Audit and Governance Committee	Robert Tigogo - Chairman Boniface Wanyonyi CPA Antony Kisaka-coopted from LVNWWDA

Board Meetings

The Board meets 6 times in one financial year.

Board Committees

The Board has constituted 3 sub-committees chaired by one director in each, namely Finance and Establishment, Technical; and Audit and Governance. Each committee meets 4 times in one financial year.

The Board appoints other committees as and when necessary.

Board Remuneration

By resolution of the Board, each director shall receive a gross of Ksh 19,000 as sitting allowance subject to tax of 30% and Ksh 2,000 lunch allowances if lunch is not served during the meeting. The Chairman receives monthly honoraria allowance of Ksh 25,000 subject to 30% tax. As compensation, the Board shall allocate an amount not more than 2% of the total revenue of the company.

Audit and Governance Committee

The company has an Audit and Governance Committee composed of three directors. The Audit and Governance Committee is expected through the provision of checks and balance to bring positive results in supervising and supporting the management of the company. It is responsible for ensuring the development of compliance with, and periodic review of corporate governance policies and practices in the company.

Conflict of interest and declaration of interest

The Board has a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company. All transactions with all parties, directors or their related parties are carried out at arm's length. Board members are obligated to disclose to the Board any real or potential conflict of interest, which may come to their attention whether direct or indirect. They sign conflict of interest register before the start of a Board meeting.

Board Charter

NZOWASCO has a Board Charter. It outlines powers and responsibilities of the Board and its members, appointment, remuneration, terms of the Board members, conduct of meetings, Committee terms of reference, conflict of interest among others. The charter is premised on the Mwongozo Code and best Corporate Governance Practices.

Board Induction Training

The Board of Directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. During the year Board members were inducted through all operations of the company, visiting the sites/ location of offices and were also trained for three (3) days on Finance for Non-Finance.

Board and member performance

NZOWASCO acknowledges growing; there is need for, clarity of roles and responsibilities, teamwork, accountability, decision-making, communication and efficient board operations. This is done through annual Board Evaluation.

9. MANAGEMENT DISCUSSION AND ANALYSIS

As the sector continues to grow each new day has offered a chance for us to work together pursue new opportunities and improve upon the past.as we reflect on the changes in the water sector since the beginning of NZOWASCO we are extremely proud of where we are and more optimistic about the future.

a) Achievements

i. Financial performance

During the year ended 30th June 2024 the company achieved total revenue of Ksh 433.9 million representing an annual decrease of 0.99% as compared to previous year of Ksh 437.1 million. Our major streams of revenue are water sales and provision of sewerage services contributing to over 90% of the total revenue.

ii. Service Delivery

On Service Delivery, the following was achieved against the set targets:

Target Description	Target	Actual	Comments
Water Coverage (%)	60	47	The water coverage was maintained because during the period under review the company did not have new sources of water until the year 2024 when KOICA Phase II and Kapolet Phase II project is expected to increase water production to 20,000M ³ of water per day to supplement the current sources producing an average of 40,000M ³ of water per day.
Water quality standards (%)	100	97.7	The company achieved 97.7% against the required 100%. This is mainly due to turbidity levels in bulk water supply from raw water channels mainly during the rainy season. Samples taken from consumer points in raw water supply system do not meet drinking water quality standard mainly during the wet seasons.
Non-Revenue Water (NRW) (%)	30	47	This was not achieved mainly because of the dilapidated water infrastructure which is old and dilapidated and infrastructure damaging due to a lot of road construction works.
Hours of Supply (Hrs)	22	19	This was not achieved due to frequent disconnection of by KPLC for non-payment more bulk supplier
Metering ratio (%)	100	97	This was achieved due to the efforts which company has put in place to achieve 100% metering ratio.
Collection Efficiency (%)	100	95	This was achieved due to the efforts which company has put in place to achieve 100% collection efficiency. However, we have a challenge in collecting revenue from the County Government, Government organization who are not paying their water bills promptly and are in arrears of Kshs 52.1m

iii. Regulatory performance

The company fully complied with the existing regulatory and statutory requirements hence no sanctions and penalties against the company.

iv. Infrastructural Development

In the year under review, the company achieved the following milestones:

- a) Extended 8.5 KMS of new water pipeline within the service area.
- b) Provided water and sewerage services without major interruptions.
- c) Mapped approximately 85% of all customer connection points on GIS for ease of identification and management of all customers for continuous update of customer database.
- d) Use of HDPE pipes for all new connections and replacements

v. ICT Environment

The company implemented and using the following software solutions in an effort to automate its internal processes:

- a) Smart people software for billing and customer relationship management.
- b) Sage Pastel software for accounting and financial reporting.
- c) Sage 300 software for Human Resource and Payroll processing.
- d) Chlorine dosing at the company's water treatment plant

vi. Capital expenditure

- Capital projects were financed through the WSTF, internally generated funds, received in the financial year 2023/2024.

b) Challenges

The key challenges include the following:

1. Water demand

Water demand continues to outstrip supply hence necessitating the need for continuation of the water-rationing program. There is a shortage of over 13,000m³/day in Bungoma and Kitale town and its environs. This situation is further aggravated by increased infrastructural developments including construction and rehabilitation of roads, laying of fiber optic cables, among others. These activities have caused widespread damages of water and sewerage infrastructure, thus resulting in huge losses to the company.

2. Debtors

The net outstanding debts stands at Kshs 439,409,79 (water & cleansing) for the reporting period compared to Kshs 435,553,175 in the last financial year. A significant proportion of these outstanding debts relate to the standing charges. The company has a robust program to follow up on the debts and has categorized the debtors for ease of follow up. Various other strategies have been developed including the enhancement of collection efforts, exploring more innovative approaches, bringing debt collectors on board among others. Provision for

doubtful debts is Kshs. 23 million and the company had previously initiated the process of writing off bad debts.

3. Non-Revenue Water

In the period under review, NRW stood at an average of 47% and the company has put a lot of emphasis on it with a view of achieving the benchmark target of 25%. We have established NRW unit, budget allocation enhanced, disciplinary action taken on errant employees, constant raids and arrests, asset management programs, training, inspection and surveillance of all our existing distribution lines. We have also undertaken installation of HDPE pipes to replace old ones. The company will also continue to invest on any emerging technologies and materials in an effort to alleviate the effects of NRW. We believe that reduction of NRW will lead the company to positively influence quality of services, increase in revenue collection, service coverage and essentially long-term commercial viability.

c) Obligations

The company was able to attend to all its financial requirements and obligations in meeting its stakeholders' expectations despite budgetary constraints. The company continued to achieve key performance indicators as stipulated by the license application, which will be issued by the regulator.

d) Operations

The greatest desire of NZOWASCO is the improvement of access to water and sewerage services to the residents of Bungoma and Kitale town and its environs. Currently, water demand continued to outstrip supply hence necessitating the continuation of rationing program. The company in its effort to meet the mandate has put in place plans with a view of increasing the water supply. On the basis of work done so far, there has been a significant improvement in the provision of water and Sewerage services that have seen hours of supply improve to 18 hours per day. For the company to continue building on these gains, there is need now, for a comprehensive investment plan indicating the investment necessary to achieve the progressive realization of the right to water and sanitation for the residents. Efforts to increase access have to be reinforced by translating investments into value for money.

e) Risk management

The organization's overall risk management program focuses on unpredictability of changes in the operating environment and seeks to minimize the potential of adverse effects of such risks on its performance by setting acceptable level of risk. The company has a risk Management policy in place and has undertaken risk assessment. The major types of risks faced by the organization are

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk
- iv) Operational risk

f) The outlook

NZOWASCO reaffirms its commitments to be a world class water service provider in Kenya. In spite of budgetary constraints, the company undertakes to do the following;

- Development and expansion of water sources and supply especially from Kapkateny
- Completion of the GIS mapping of water and sewerage infrastructure and customer points
- Improvement of existing water supply network within Trans-Nzoia and Bungoma counties
- Automation of billing and accounting processes

g) Future plans

The company has however faced many challenges that include infrastructure and facility support due to low funding. However, these will be addressed through performance Management and other mechanism that include partnering with both Bungoma and Trans-Nzoia County Governments, National Government and other Development partners through Lake Victoria North water works development Agency. The company will continue partnering with WSTF for funding projects in the low-income areas.

h) Assurance

For the period under review there is no major financial improbity. The Board of Directors as constituted is providing the oversight role effectively.

Appreciation

I take this opportunity to thank the county government of both Trans-Nzoia and Bungoma, Shareholders, Board of Directors, Management, Staff and other stakeholders for their mutual cooperation, trust and continued support.



CPA Mathew Maruti Wakhungu
MANAGING DIRECTOR

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Company's Corporate Social Responsibility (CSR), policy sets out the guiding principles by which the organization is run in order to fulfill its core mission. This policy brings together the ways in which the Company ensures, at corporate level, that its activities are carried out ethically, sustainably and for the public benefit.

The company has formed a strong belief which helps to maximize the level of Corporate Social Responsibility (CSR) by making a number of key initiatives to effect and encourage employee responsibility through embracing CSR which has positively impacted customers, employees and the community at large.

The company CSR Policy is made up of four central pillars:

1. People and Community
2. Customers
3. Finance and Economic Activity
4. Environmental Sustainability

1. People and Community

The Company as an employer

The Company is committed to being a good employer, and contributes positively to the creation of employment in the Country together with both county governments of Bungoma and Trans-Nzoia County. Our mission is to foster an environment where employees feel recognized for their contributions, appreciated for their individuality, and challenged to do their best. As an employer, the Company is committed to ensuring that all the employees are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. The Company recognizes staff trade unions that represent and protect their interests. The Company currently offers competitive terms and conditions of service to its employees. The Company has in place two retirement benefits schemes (LAP Trust Lap Fund and NSSF) for its staff that provides earnings during the retirement period. In addition, the Company has a medical and accident cover for its staff.

The Company also carries out employee satisfaction survey after every two years with a view of improving the conditions and working environment of its employees and keep in touch with emerging employee issues. In addition, the Company has put in place many ways to contribute to positive changes to its employees including on-job trainings, participation at the Water Companies Sports Organization (WASCO) games and benchmarking sessions that develop the employees and ensure that the company vision is achieved.

Local Community

The Company has always ensured that the water available is distributed equitably to all the customers and sewer systems are maintained.

The company in partnership with Water Services Trust has been able to provide services to informal settlements of Kitale, Bungoma and Webuye through construction of water Kiosks, yard taps and most recently Chwele abolition blocks. The residents of the informal settlements are able to access clean portable water at an affordable price of ksh 2 per 20 litres Jeri can.

The company from time to time makes donations to women and youth groups upon request from the said entities.

2. The customers

To the Customers who are the pillar of the Company's existence, great concern is put in place to ensure their satisfaction. Annually, the company conducts a customer satisfaction survey to ascertain whether the efforts put in place by the Company are felt by the customers and any issues raised are addressed promptly. During the year, the company with the help of a consultant conducted a Customer Satisfaction Survey in which the company managed to attain a Customer Satisfaction Index of 50%. The noted Key improvement was on Communication to Customers on issues affecting them.

The Company is committed to service delivery to its customers by creating a customer friendly environment. The Company does this activity by use of customer voice and choice system which records all customer complaints and they are assigned a ticket number for provision of feedback once the complaints are resolved.

3. Finance and economic activities

The Company recognizes the fact that the way in which it conducts its activities financially has a bearing on those with an interest in its work. The Company's Financial Regulations reinforce its core values in informing policy, practice and guidance to staff of the Company to ensure fair and ethical financial practices.

The Company's financial activity is undertaken with reference to the following guidelines and policies:

- Directors and staff code of conduct
- Public Procurement and Assets Disposal Act and Regulations
- Public Finance Management and Regulations

As part of their conditions of employment, all staffs are required to follow such policies and guidelines to ensure the Company conducts its activities in an appropriate manner.

The Company also commits to the following as a good organizational citizen:

- Providing clear information where required to organizations with whom we engage financially
- Incorporating corporate social responsibility (CSR) considerations in tender submission reviews from potential suppliers in line with government policy on women, youth and the disabled
- Furthering the use of electronic data to reduce paper use and environmental degradation

4. Environmental Sustainability

The Company recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts.

The Company participates in the conservation of the environment by planting trees at its water catchment area. The Company also ensures that discharge to river Nzoia meets the required standards by conducting regular tests through its laboratory, which is ISO, certified.

The Company supports initiatives that minimize our impact on the environment and help create a sustainable community by working closely with NEMA and various county departments such as the Environment and Public Health to enhance and protect the environment around us.

11. REPORT OF THE DIRECTORS

The Board of Directors has the pleasure to submit the annual report and financial statements for the year ended 30th June 2024 in accordance with International Financial Reporting Standards and the company's Act which discloses the affairs of the company.

Principal activity

The principal activity of Nzoia Water Services Company Limited is to provide adequate water and sanitation services efficiently, economically and in a sustainable manner to all consumers in areas under its jurisdiction.

Results

The results of the entity for the year ended June 30, 2024 are set out on page 1 to page 42

Dividends

The company does not pay dividends rather uses the surplus to enhance its principal mandate.

Directors

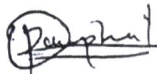
The members of the Board of Directors who served during the year are shown on page vi to vii. The directors will retire in lots after 3 years.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name: Pamphil Matsekhe Oundo



Signature: _____

Date: 17/12/24

Corporate Secretary/Secretary to the Board

12. STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of NZOWASCO, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that NZOWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of NZOWASCO. The Directors are also responsible for safeguarding the assets of NZOWASCO.

The Directors are responsible for the preparation and presentation of NZOWASCO's financial statements, which give a true and fair view of the state of affairs of NZOWASCO 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for NZOWASCO's 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 (IFRS), and in the manner required by the PFM Act, 2012, Water Act 2016 and the State Corporations Act. The Directors are of the opinion that NZOWASCO's financial statements give a true and fair view of the state of NZOWASCO's transactions during the financial year ended June 30, 2024, and of the NZOWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of NZOWASCO's financial statements as well as the adequacy of the systems of internal financial control.

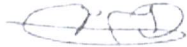
Nothing has come to the attention of the Directors to indicate that the NZOWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The entity's financial statements were approved by the Board on 27/09/24 and signed on its behalf by:



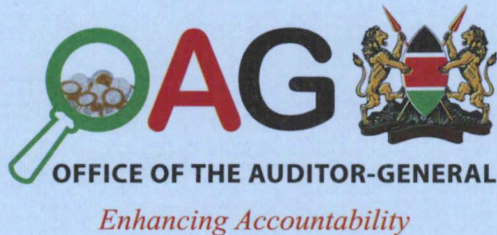
CPA Mathew Maruti Wakhungu
MNO.14533
Managing Director



Carolyn Nalyanya Mutoro
Chairperson of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NZOIA WATER SERVICES 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 the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; 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 the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in 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 Nzoia Water Services Company Limited set out on pages 1 to 41, which comprise of the statement 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 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 Nzoia Water Services Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Inaccuracy of the Statement of Financial Position

The statement of financial position reflects total equity and liabilities balance of Kshs.587,700,169 made up of Kshs.44,268,960 and Kshs.537,905,969 relating to total capital and reserves and total current liabilities respectively. However, a re-casting of the total current liabilities shows a corrected balance of Kshs.543,431,209 resulting to an unexplained and unreconciled variance of Kshs.5,525,240.

In the circumstances, the accuracy and completeness of total equity and liabilities balance of Kshs.587,700,169 could not be confirmed.

2. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects an amount of Kshs.7,374,709 in respect of expenditure on specialized services. However, the amount differs from the expenditure of Kshs.7,499,709 shown in the statement of profit or loss and other comprehensive income. The variance of Kshs.125,000 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

3. Unsupported Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables balance of Kshs.446,748,178 as disclosed in Note 21 to the financial statements. However, supporting schedules and the general ledger were not provided to support the balance. Further, Note 21 reflects a balance of Kshs.439,409,795 resulting to an unexplained and unreconciled variance of Kshs.7,338,383.

In the circumstances, the accuracy, completeness and authenticity of the trade and other receivables balance of Kshs.446,748,178 could not be confirmed.

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.126,557,390 which, as disclosed in Note 16 to the financial statements, includes additions during the year of Kshs.10,575,656. However, a general ledger, invoices, delivery notes, goods received notes and goods issue notes were not provided to support the additions during the year.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.126,557,390 could not be confirmed.

5. Inaccuracy of Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.228,378,554 which, as disclosed in Note 25 to the financial statements, includes Kshs.120,557,071 relating to trade payables. However, the balance of Kshs.120,557,071 differs from the Kshs.156,768,693 shown in the general ledger by an unexplained and unreconciled variance of Kshs. 107,821,483.

In addition, the balance of Kshs.228,387,554 includes Kshs.1,045,560 and Kshs.30,534,578 relating to water deposit NWCP and payroll liabilities respectively, for which schedules and ledgers were not provided.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.228,378,554 could not be confirmed.

6. Unsupported Amounts Due to Related Parties

The statement of financial position and Note 27 to the financial statements reflects a balance due to related parties of Kshs.179,903,907. However, signed agreements and other supporting documents between the Company and the related parties were not provided for audit review.

In the circumstances, the accuracy and completeness of balance due to related parties of Kshs.179,903,907 could not be confirmed.

7. Unexplained Reduction of Capital Reserve

The statement of financial position and Note 24(a) to the financial statements indicate capital reserve balances of Kshs.50,250,468 which reduced by Kshs.40,000,000 from the balance of Kshs.90,250,468 reflected in the audited financial statements for the year ended 30 June, 2023. The reduction of Kshs.40,000,000 has not been explained or supported with any documentation.

In the circumstances the accuracy and completeness of capital reserve balance of Kshs.50,250,468 could not be confirmed.

8. Unsupported Expenditure on Procurement of Consultancy Services

The statement of profit or loss and other comprehensive income reflects specialized services amount of Kshs.7,499,709 32,061,820, which as disclosed in Note 14 to the financial statements includes consultancy services of Kshs.977,400 in respect to consultancy. However, the procurement documents including tender invitations, opening committee minutes, evaluation committee minutes, tender award letters, tender acceptance letters and professional opinions were not provided for audit review.

In the circumstances, the propriety of the expenditure of Kshs.977,400 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.537,713,546 and Kshs.418,290,098 respectively, resulting to under-funding of Kshs.119,423,448 or 22% of the budget. Similarly, the statement reflects actual expenditure of Kshs.404,239,670 against approved budget of Kshs.537,700,700 resulting in under-performance of Kshs.133,461,030 or 25% of the budget. Further, the utilization column reflects tabulation variances in respect of various components while the amounts in respect of actual on comparable basis also differ from the corresponding amounts in the statement of profit or loss and other comprehensive income under various components.

Report of the Auditor-General on Nzoia Water Services Company Limited for the year ended 30 June, 2024

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

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 section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the previous year's audit, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. The Management has indicated under the progress on follow up on Auditor's recommendations section that the issues were either partially resolved or not resolved. However, no explanations were given on when the outstanding issues will be fully resolved.

Other Information

Management is responsible for the Other Information set out on page iii to xxvi which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman'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 Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or 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. Non-Compliance with Law on Staff Ethnic Diversity

Review of staff bio data for the month of June, 2024 revealed that the Company had 195 members of staff on permanent and pensionable terms, out of which 147 staff members or 75% were from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

2. Non-Remittance of Pension Scheme Contributions

The statement of financial position reflects a balance of Kshs.135,148,748 in respect of retirement benefits obligations as disclosed in Note 26 to the financial statements. The balance increased by Kshs.75,484,032 or 127% from the amount of Kshs.59,664,713 reported in the audited financial statements for the year ended 30 June, 2023. No explanation was provided for the failure to remit the amounts to the relevant statutory bodies as required by Section 53A(1) of the Retirement Benefits Act, 1997 (Revised 2021), which employees who deduct statutory obligations from their employees' salaries to remit the amounts to the relevant Schemes failing which proceedings may be instituted to effect recoveries of the unremitted amounts.

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

3. Use of Outdated Tariff Structure

The statement of profit or loss and other comprehensive income and Note 5 to the financial statements reflect sales amount of Kshs.377,335,896. However, during the year under review, the Company continued billing customers using the approved tariff for the financial years 2017/2018 to 2019/2020 contrary to Section 45(1) of the Water Act, 2016 which states that a licensed water service provider shall implement the tariff approved and gazetted by the Regulatory Board for the prescribed period.

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

Report of the Auditor-General on Nzoia Water Services Company Limited for the year ended 30 June, 2024

4. Failure to Maintain an Updated Fixed Asset Register

The statement of financial position and Note 16 to the financial statements reflect property, plant and equipment balance of Kshs.126,557,390. However, the fixed assets register provided for audit verification was not updated to indicate the costs, date of purchase, location, accumulated depreciation, depreciation for the year and net book values for the assets. This is contrary to Regulation 136(1) of Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to maintain a register of assets under his or her control or possession as prescribed by the relevant laws.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 page xxv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 17 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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 liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 International Standards of Supreme Audit Institutions (ISSAIs). The standards require 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 ISSAIs will always detect a

Report of the Auditor-General on Nzoia Water Services Company Limited for the year ended 30 June, 2024

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 & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE, 2024


		2024	2023
Revenues	Notes	Kshs	Kshs
Sales	5	377,335,896	379,577,353
Other Income	6	36,365,002	39,527,766
Grants Income	7	4,589,200	18,137,394
Finance Income	8	-	678,594
Total Revenue		418,290,098	437,921,107
Expenses			
Cost of sales	9	169,529,830	159,936,421
Staff costs	10	147,916,025	148,210,621
Board expenses	11	4,843,691	2,630,657
General and operations expenses	12	33,889,727	40,017,042
Repairs and Maintenance expenses	13	32,061,820	30,365,932
Specialized services	14	7,499,709	10,871,694
Administrative levies	15	16,125,415	16,999,077
Depreciation of property, plant & equipment	16	29,333,783	22,370,308
Amortization of Intangible Assets	17	1,107,834	324,484
Total Expenses		442,307,834	431,726,235
Profit/(loss) before taxation		(24,017,736)	6,194,872
Income tax expense	18	(6,468,219)	(2,694,417)
Profit/(loss) after taxation		(17,549,517)	3,500,455
Earnings per share – basic and diluted	19	-	-
Total Comprehensive Income for the Year		(17,549,517)	3,500,455

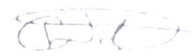
15. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2024

		2024	2023
Non-Current Assets	Notes	Kshs	Kshs
Property and equipment	16	126,557,390	145,315,519
Intangible Assets	17	1,631,374	2,739,208
Total Non-Current Assets		128,188,765	148,054,727
Current Assets			
Inventories	20	6,828,743	10,140,403
Trade and other receivables	21	446,748,178	421,597,008
Short-term deposits	22	-	16,493,860
Cash and bank balances	23	5,934,483	5,684,170
Total Current Assets		459,511,404	453,915,441
Total assets		587,700,169	601,970,168
Equity and Liabilities			
Capital and Reserves			
Ordinary share capital	24	100,000	100,000
General Reserves	24(a)	50,250,468	90,250,468
Retained earnings		(6,081,508)	11,468,009
Total Capital and Reserves		44,268,960	101,818,477
Current Liabilities			
Trade and other payables	25	228,378,554	299,590,071
Retirement benefit obligations	26	135,148,748	59,664,713
Due to Related Parties	27	179,903,907	140,896,907
Total Current Liabilities		537,905,969	500,151,691
Total Equity and Liabilities		587,700,169	601,970,168

The financial statements were approved by the Board on 27/07/24 and signed on its behalf by:


CPA Mathew Maruti Wakhungu
ICPAK MNO.14533
Managing Director


CPA Vane Kerubo Moseti
ICPAK MNO.
Ag. Head of Finance and Accounting


Carolyne Nalyanya Mutoro
Chairperson of the Board

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE, 2024

	Ordinary Share Capital Ksh	Retained Earnings Ksh	General Reserves Ksh	Total Ksh
Balance as at July 1 , 2022	90,100,000	13,075,307	250,468	103,425,775
Transfer				-
Total comprehensive income		3,500,455		3,500,455
Adjustment	-	(5,107,753)	-	(5,107,753)
Balance as at June 30, 2023	90,100,000	11,468,009	250,468	101,818,477
Balance as at July 1 , 2023	90,100,000	11,468,009	250,468	101,818,477
Retransferred to General Reserve	(50,000,000)		50,000,000	0
Retransferred to County Government	(40,000,000)			(40,000,000)
Total comprehensive income		(17,549,517)		(17,549,517)
Balance as at June 30, 2024	100,000	(6,081,508)	50,250,468	44,268,960

Note:

This relates to share capital of 5,000 shares at Ksh 20 each restated as per the CR12. Prior adjustment regarding shares had not been registered in the registrar of companies

- * Ksh 40,000,000 lease fee owed to county government of Trans-Nzoia and Bungoma which had been converted into share capital and the shareholding as per financial year 2016/2017 financial statement and changes not effected at the company registrar of companies reversed.
- * The preceded amount was transferred to the general reserves from share capital and distributed to Trans-nzoia and Bungoma
- * Ksh 50,000,000 transferred back from share capital to general reserves and adjustment done in Financial Year 2016/2017 financial statement but changes were not effected in the company of registrar

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2024

	Note	2024	2023
		Kshs	Kshs
Operating Receipts	5	377,335,896	379,577,353
Other Income	6	36,365,002	39,527,766
Grants Income	7	4,589,200	14,075,043
Finance Income	8	-	678,594
Customer Deposits	25(a)	4,935,487	4,769,684
Total Receipts		423,225,585	438,628,440
Cost of sales	9	169,529,830	159,936,421
Staff Costs	10	147,916,025	148,210,621
Board expenses	11	4,843,691	2,630,657
General and Operation Expenses	12	33,889,727	40,017,042
Repair and Maintenance Expenses	13	32,061,820	30,365,932
Specialized services	14	7,374,709	10,871,694
Administrative levies	15	16,125,415	16,999,077
Refund Of Customer Deposits	25(b)	533,399	222,630
Total Payments		412,399,616	409,254,074
Net Cash From/ (Used In) Operating Activities		10,950,969	29,374,366
Purchase Of Property, Plant and Equipment (PPE)	16	(10,575,656)	(16,159,953)
Purchase Of Intangible Assets	17		(1,297,935)
			-
Net Cash From/ (Used In) Investing Activities		(10,575,656)	(17,457,888)
Cash Flows from Financing Activities			
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash and Cash Equivalents		250,313	11,916,478
Cash And Cash Equivalents At Beginning Of Year		5,684,170	(6,232,308)
Cash And Cash Equivalents At End of the Year		5,934,483	5,684,170

**18. STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED 30th JUNE 2024**

	Original Budget	FINAL	Actual on Comparable basis	Performance Difference	% of utilization
	2023/24 Kshs	2023/24 Kshs	2023/24 Kshs	2023/24 Kshs	
Revenue					
Sale of Water	384,700,000	398,800,000	324,334,899	-60,365,101	(18.61%)
Meter Rent	22,460,000	15,000,000	19,276,294	-3,183,706	(16.52%)
Disc/Reconnection fee	4,800,000	4,800,000	1,847,001	-2,952,999	(159.88%)
New Connections- Water	11,700,000	13,700,000	10,565,512	-1,134,488	(8.28%)
Sewer & Sanitation	64,000,000	72,300,000	53,000,997	-10,999,003	(15.21%)
Water Bowser	4,300,000	1,400,000	1,734,097	-2,565,903	(183.28%)
Exhauster Services	360,000	1,440,000	669,016	309,016	21.46%
Meter replacement	1,050,000	1,050,000	137,500	-912,500	(86.90%)
Illegal consumption penalties	0	1,800,000			
Other income	7,250,000	7,250,000	2,135,582	-5,114,418	(70.54%)
SUB TOTAL	500,620,000	517,540,000	413,700,898	-88,499,981	(17.61%)
Other income					
Govt grant	-	20,173,546	4,589,200	-15,584,346	(77%)
Total Revenue	500,620,000	537,713,546	418,290,098	-86,919,102	(17%)
Expenses					
Cost of sales					
Chemicals	50,000,000	45,000,000	39,385,092	5,614,908	12.48%
Electricity/Dir.Labour	98,850,000	98,850,000	99,790,492	-940,492	-0.95%
SUB- TOTAL	148,850,000	143,850,000	139,175,584	4,674,416	3.25%
Staff Costs					
Basic pay	96,300,000	95,100,000	89,918,403	5,181,597	5.45%
Wages	1,800,000	1,800,000	473,266	1,326,734	73.71%
House Allowance	22,827,000	24,855,000	19,466,587	5,388,413	21.68%
Overtime allowance	2,084,000	2,005,000	2,116,879	-111,879	(5.58%)
Hazard allowance	777,000	1,026,000	734,696	291,304	28.39%
Transfer allowance	676,200	1,136,000	458,540	677,460	59.64%
Airtime allowance	3,100,000	3,103,000	2,865,234	237,766	7.66%
Commuter allowance	12,500,000	12,500,000	12,092,288	407,712	3.26%
Extraneous allowance	2,300,000	2,500,000	2,207,330	292,670	11.71%
Acting allowance	645,000	850,000	650,492	199,508	23.47%
Terminal dues/gratuity	9,730,000	9,730,000	3,743,599	5,986,401	61.53%
NSSF	3,335,000	2,640,000	4,276,606	-1,636,606	(61.99%)
Lapfund	5,430,000	5,430,000	3,743,252	1,686,748	31.06%
Laptrust	3,100,000	4,218,000	2,084,138	2,133,862	50.59%
Training levy(NITA)	193,700	193,700	152,250	41,450	21.40%
Leave allowance	4,695,100	4,695,100	3,141,088	1,554,012	33.10%
SUB-TOTAL	169,493,000	171,781,800	147,916,025	23,865,775	13.89%

Employee Related Expenses

Travelling & Accomodation	15,200,000	21,200,000	15,759,837	5,440,163	25.66%
Staff Training.	5,000,000	5,000,000	307,960	4,692,040	93.84%
Staff Uniforms PPE	2,540,000	2,550,000	2,631,117	-81,117	(3.18%)
Medical Cover & GPA	6,000,000	6,000,000	0	6,000,000	100.00%
Staff Welfare & Sports	2,400,000	2,400,000	2,587,180	-187,180	(7.80%)
Bonuses	1,100,000	1,100,000	100,000	1,000,000	90.91%
SUB- TOTAL	32,240,000	38,250,000	21,386,094	16,863,906	44.09%

Board Expenses

Board sitting allows.	1,500,000	3,000,000	1,232,173	1,767,827	58.93%
Board Training	1,000,000	3,000,000	77,569	2,922,431	97.41%
Secretarial Services	700,000	700,000	463,561	236,439	33.78%
Board travelling	2,000,000	4,000,000	352,900	3,647,100	91.18%
Recruitment	1,000,000	1,000,000	0	1,000,000	100.00%
Stakeholders & CSR(advertisement & publicity)	2,850,000	3,850,000	3,188,249	661,751	17.19%
(A.G.M)	1,000,000	1,300,000	950,000	350,000	26.92%
SUB- TOTAL	10,050,000	16,850,000	6,264,452	10,585,548	62.87%

Office & Administrative expenses

Office maintenance	1,495,000	1,495,000	219,320	1,275,680	85.33%
Office Electricity	512,000	950,000	376,307	573,693	60.39%
Postage services	880,000	2,000,000	2,131,290	-131,290	(6.5%)
Communication Services-Airtime	270,000	500,000	235,136	264,864	52.97%
Communication Services-Internet services	3,010,000	2,400,000	2,165,105	234,895	9.79%
Printing, stationery	2,500,000	2,500,000	2,632,561	-132,561	(5.30%)
Advertising and publicity	2,375,000	3,375,000	390,480	2,984,520	88.43%
Newspapers & periodicals(advertisement & publicity)	17,280	112,000	2,520	109,480	97.75%
Hospitality supplies	6,635,000	8,000,000	8,751,371	-733,871	(-9.7%)
Fuel cost generator	297,000	270,000	158,990	111,010	41.11%
Bank charges and interest	2,160,000	2,160,000	3,181,362	-1,021,362	(47.29%)
Security services	12,000,000	16,000,000	8,377,183	7,622,817	47.64%
Insurance costs	2,000,000	2,000,000	0	2,000,000	100.00%
SUB- TOTAL	34,151,280	41,762,000	28,621,625	13,140,375	31.46%

Operations and Maintenance

Pipeline and fittings	11,300,000	11,300,000	5,881,487	5,418,513	47.95%
Sewer line repair	1,000,000	2,000,000	747,865	1,252,135	62.61%
Plant and treatment repair	8,935,000	12,800,000	12,792,612	-992,612	(8.4%)
Computer maintenance	700,000	500,000	266,370	233,630	46.73%
Motor Vehicle repair	5,540,000	5,540,000	3,436,276	2,103,724	37.97%

Fuel and Lubricants	7,800,000	7,300,000	7,516,591	-216,591	(2.97%
Tool & equipment hire	1,400,000	1,400,000	0	1,400,000	100.00%
Water Meters	10,000,000	10,000,000	6,785,065	3,214,935	32.15%
SUB- TOTAL	45,675,000	50,840,000	37,426,266	13,413,734	26.38%
External services/Specialized services					
Subscriptions-WASPA	1,000,000	1,000,000	275,000	725,000	72.50%
Auditors Remuneration	700,000	700,000	0	700,000	100.00%
Meter audit	1,499,990	1,500,000	0	1,500,000	100.00%
Subscriptions-staff	600,000	850,000	889,666	-39,666	(-4.67%
)Business	525,000	525,000	210,000	315,000	60.00%
Permits(NEMA)					
Legal Expenses	6,500,000	6,500,000	4,111,087	2,388,913	36.75%
Consultancy	3,000,000	6,000,000	977,400	5,022,600	83.71%
Non-Revenue water exp.	1,600,000	2,800,000	510,516	2,289,484	81.77%
ISO,QMS&Kebs	1,405,000	1,405,000	395,040	1,009,960	71.88%
SUB- TOTAL	16,829,990	21,030,000	7,368,709	13,911,291	65.37%
Levies and Administrative fees					
WASREB	16,053,700	16,053,700	16,125,415	-71,715	-0.45%
WARA	10,033,200	10,033,200	0	10,033,200	100.00%
SUB- TOTAL	26,086,900	26,086,900	16,125,415	9,961,485	38.19%
Recurrent Expenditure	484,376,170	510,700,700			
Capital expenditure		27,000,000			
Total expenditure	484,376,170	537,700,700	404,239,670	133,416,530	24.81%
Surplus for the period	16,243,830	12,846.00	14,005,928	-13,993,082	54.18%

Variance (10% over/under) between actual and final budgeted amount are explained on page 42 Appendix V

19. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 2024

1. General information

Nzoia Water Services Company Limited is established by and derives its authority and accountability from Water Act 2016. The company is wholly owned by the county governments of Trans Nzoia and Bungoma and is domiciled in Kenya. The principal activity of Nzoia Water is to provide adequate water and sanitation services efficiently, economically and in a sustainable manner to all consumers in areas under its jurisdiction.

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are Significant to the financial statements, are disclosed in note 3 and 4 on international financial reporting standards.

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

The financial statements have been prepared in accordance with the PFM Act 2012, the Water Act 2016, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

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	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	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier

Title	Description	Effective Date
(issued in September 2022)	does not recognise any amount of the gain or loss.	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.
Title	Description	Effective Date

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.
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.

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

iii. Early adoption of standards

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

Notes to the Financial Statements (continues)

4. Summary of Significant accounting policies:

The significant accounting policies adopted in the preparation of these Financial Statements are set below.

a) Revenue Recognition

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

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

b) In-kind contributions

In kind contributions are donations that are made to the company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment 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.

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from revaluation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to Profit or loss in the income statement

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment IAS 16

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

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

Item	Years	Rates
Buildings and civil works	4	25%
Infrastructure works	8	12.5%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	33.3%
Intangible assets	4	25%
Office equipment, furniture and fittings	8	12.5%

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

e) Intangible assets

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

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

f) 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.

g) Inventories

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

Notes to the Financial Statements (continues)

price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Stock valuation is determined by First in First out (FIFO).

h) Trade and other receivables

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

i) Taxation

Current income tax

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

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

Deferred tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

j) Cash and cash equivalents. IAS 7

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks and M PESA at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized staff held as petty cash at regional offices.

k) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including

Notes to the Financial Statements (continues)

premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

l) Trade and Other Payables

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

m) Retirement Benefits Obligations

The company staffs were deployed from municipal councils of Kitale, Webuye and Kimilili, Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation (NWCPC). The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

n) Provision for staff leave pay

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

o) Budget Information.

The original budget for **FY 2023-2024** was approved by the Board of Directors on 4th September 2023. The company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 to 7 of these financial statements.

p) Comparative figures

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

q) 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.

Notes to the Financial Statements (continues)

5	Sales	2024	2023
		Kshs	Kshs
	Water charge	324,334,899	322,110,632
	Sewerage charge	53,000,997	57,466,721
	Total	377,335,896	379,577,353

- Water charges refer to total bills rendered on a monthly cycle based on customer meters read. The performance was below expectations due to destruction of water pipeline during road grading, failure of pumps and rampant illegal consumption.
- Sewer charges are pegged at 75% of a customer's monthly water bill.

6	Other Income	2024	2023
		Kshs	Kshs
	New Connection Fee	10,565,512	6,198,896
	Meter rent Charge	19,276,294	18,730,250
	Meter Replacement Charge	137,500	81,150
	Dis/Reconnection Charge	1,847,001	3,187,051
	Water Bowser	1,734,097	4,062,965
	Exhauster Services	669,016	610,000
	Other Charges	2,135,582	6,657,454
	Total	36,365,002	39,527,766

- New Connection Fee is application charge levied on a customer seeking to secure Water and or sewerage services.
- Meter rent Charge is included in the monthly water bill and it is meant for maintenance and replacement of consumer meters. The charge varies depending on the meter size.
- Meter Replacement Charge is levied on a customer who tempers with the meter making it to malfunction.
- Dis/Reconnection Charge is levied to customers whose accounts have been disconnected due to non – payment of water bill.
- Water bowser comprises of water sales delivered to customers using company water tanker outside the company area of operation.
- Exhauster Services is a charge levied to customers that use the company sewer line to dump waste from their septic tanks.
- Other Income refers to any other fee levied to customers such as statement printing charge, charges on bounced cheques, Illegal Penalty, Meter Testing Charge etc

7	Government Grants	2024	2023
		Kshs	Kshs
	Grants (WSTF)	4,589,200	18,137,394
	Total	4,589,200	18,137,394

The Ksh 4,589,200 relates to the 1st disbursement for UBSUP 3rd Call project funded by WSTF, the total project cost is Ksh 20,173,546 and the remaining Ksh 15,584,346 will be dispersed in phases.

Notes to the Financial Statement (continues)

8	Finance Income	2024	2023
		Kshs	Kshs
	Interest Income on Short Term bank deposit	0	678,594
	The bank operated a fixed deposit account from which earned interest		

9	Cost of Sales	2024	2023
		Kshs	Kshs
	Water Treatment Chemicals		
	Opening Stock of Chemicals	1,432,798	1,020,476
	Purchase of Chemicals	39,385,092	42,954,257
	Closing Stock of Chemicals	(1,261,838)	(1,432,798)
		39,556,052	42,541,935
	Electricity Cost	99,790,492	87,975,646
	Direct Labor (Note 10(i))	27,710,858	27,214,265
	Employee Benefits (Note 10(ii))	2,472,428	2,204,575
	Total	169,529,830	159,936,421

- Water treatment chemicals are adjusted for opening and closing stocks.
- Electricity costs refer to cost of power consumed in production and distribution of water and sewerage services
- Direct labor is the cost incurred in payment of salaries and allowances to staff that are directly involved in production and distribution of water and sewerage services
- Employee benefits comprise of National Social Security Fund, Laptrust and Lapfund pension schemes.

10	Staff and Other related expenses	2024	2023
		Kshs	Kshs
	Staff Costs (Note 10(i))	105,940,678	110,850,144
	Employee Benefits (10(ii))	11,375,166	11,524,986
	Staff Training Expenses	307,960	3,664,217
	Training levy NITA	152,250	164,700
	Travelling and accommodation	15,759,837	18,124,666
	Protective Gears/uniforms	2,631,117	1,834,288
	Bonuses	100,000	675,500
	Wages	473,266	470,760
	Staff Welfare & Sports	2,572,180	901,360
	Total	147,916,025	148,210,621

10(i)	Staff Costs	2024	2023
		Kshs	Kshs
	Salaries and allowances of permanent staff	130,510,449	143,437,276
	Wages of temporary employees	473,266	470,760
	Leave allowances	3,141,088	3,107,110
	Staff levy (NITA)	152,250	164,700
	Total	134,277,053	147,179,846
	Apportioned as		
	<i>Administration costs</i>		

Basic pay	71,134,104	75,492,768
Allowances	32,405,353	32,887,044
Leave allowances	2,401,221	2,470,332
To Administrative Cost	105,940,678	110,850,144

Apportionment of Staff Cost to Cost of Sales	2024	2023
<i>Cost of Sales</i>	Kshs	Kshs
Basic pay	18,784,299	18,643,593
Allowances	8,186,693	7,933,894
Leave allowances	739,867	636,778
To Cost of Sales	27,710,857	27,214,265
Wages	473,266	470,760
Staff levy (NITA)	152,250	164,700
Total Staff Cost	134,277,053	147,179,846

10(ii) Employee Benefits		
Compulsory national social security scheme	4,276,606	1,693,978
Other pension contributions	5,827,390	7,421,459
Gratuity	3,743,599	4,614,124
	13,847,595	13,729,561
Apportioned as		
Administrative Cost		
NSSF	3,235,473	1,294,530
Lap fund	2,790,192	3,607,371
Lap trust	1,605,902	2,008,961
Gratuity	3,743,599	4,614,124
To Administrative Costs	11,375,166	11,524,986
Apportioned as		
Cost of Sales		
NSSF	1,041,133	399,448
Lap fund	953,060	1,240,984
Lap trust	478,236	564,143
To Cost of Sales	2,472,428	2,204,575
Total	13,847,595	13,729,561

10(iii) The average number of employees at year end	No	No
Management	7	9
Permanent (Union sable)	183	189
Contract and Temporary Employees	69	71
Total Number of Employees	259	269

- Staff Costs relates to salaries and allowances to permanent staff, wages to temporary staff, leave allowance
- Training levy are levies paid to NITA.
- Employee benefits comprise of National Social Security Fund, Laptrust, Lapfund pension scheme and Gratuity paid to staff on contract. Calculated in note 10(ii))
- Staff training costs are incurred in order to equip staff the relevant skills that will enable them perform their duties diligently.

Notes to the Financial Statement (continues)

- Travelling and accommodation is incurred to cater for staff travels both within the cluster and outside the company.
- Protective gear is the cost incurred on gloves, staff overalls and safety boots.
- Bonuses relate to end year rewards to staffs.
- Staff welfare and sports is the cost incurred on staff funerals, gift vouchers to outgoing staff and WASCO games.

11	Board Expenses	2024	2023
		Kshs	Kshs
	Sitting allowance & Honorarium	1,232,173	442,708
	Secretarial Services	463,561	474,343
	Board Travelling & Entertainment	352,900	1,648,010
	Board training	77,569	65,596
	Board expense	2,717,488	
	Total	4,843,691	2,630,657

- Sitting allowance and Honorarium refers to sitting allowance paid to members of the Board when they attend meeting. Honorarium is monthly allowance paid to the Chairman of the board.
- Board training is cost incurred to train board of directors about governance issues in the water sector.
- Board travelling & entertainment is a cost incurred to facilitate Board members travels.
- Board expenses are expenses incurred during board meetings, board inductions and field visits
- Company secretarial services are cost incurred by external personnel seconded from LVSWWDA to provide professional advice on legal issues to the company.

12	General and Operations Expenses	2024	2023
		Kshs	Kshs
	Office maintenance	219,320	290,979
	Office Electricity and water	376,307	1,108,749
	Postage and Courier Services	2,131,290	790,241
	Communication Services and supplies (Internet and Airtime)	2,400,241	2,859,054
	Printing, Stationery and Photocopy	2,632,561	3,678,903
	Advertising and Publicity and Newspaper	393,000	558,900
	Hospitality Supplies and Services	8,751,371	7,185,877
	Bank Charges and Commissions	3,181,362	2,229,461
	Insurance Costs	-	2,514,138
	Fuel cost generator	158,990	270,284
	Provision for doubtful debts (12 (i))	1,349,172	2,462,034
	Stakeholders and Marketing	3,188,249	1,995,109
	Annual General Meeting	950,000	1,363,152
	Security Services	8,377,182	12,710,161
	Total	33,889,727	40,017,042

- Office and maintenance expenses include expenditure on repairs of offices and cleaning of the company compound

- Office Electricity refers to expenses incurred on electricity charge consumed in the offices
- Postage and courier services refer to expenses incurred in delivery of parcels and sending bill message alerts to customers.
- Communication services and supplies refer to expenses incurred in the purchase of bundles and internet services.
- Annual General Meeting is cost for facilitating holding of the company shareholders meeting.
- Printing, stationery and photocopy refer to expenses incurred in the purchase of printing papers, pre (printed bills, general stationery, tonners and cartridges
- Advertising and publicity promotion refer to expenses incurred in the purchase of newspapers, periodicals, journals, advertisement and public sensitization.
- Hospitality supplies and services include expenses incurred in the provision of tea to staff, meals during meetings and conferences and donations.
- Stakeholders and marketing, Annual general meeting are expenses incurred for recruitment of new board members, approval of tariffs and community sensitization

12(i)	Provision for Bad and Doubtful Debts	2024	2023
		Kshs	Kshs
	Gross receivables	462,536,626	435,553,173
	Provision for bad and doubtful debts (5%)	(23,126,831)	(21,777,659)
	Total	439,409,795	413,775,514

- The company computes a general provision of 5% of outstanding receivable at the close of the financial year. Provision for bad and doubtful debts increased by Ksh 1,349,172 from Kshs. 21,777,659 in 2023 to Kshs 23,126,831 in 2024

13	Repair and Maintenance	2024	2023
		Kshs	Kshs
	Pipeline & sewer repairs and maintenance	7,302,106	2,749,024
	Plant and Treatment works repairs	12,792,612	14,394,030
	Motor Vehicle & Cycle Repairs	3,436,276	3,835,221
	Fuel, lubricants for Motor Services Supplies	7,516,591	5,813,539
	Sewer line repair	747,865	2,754,684
	Tool and equipment hire	-	305,519
	Computer and Equipment repairs	266,370	513,915
	Total	32,061,820	30,365,932

- Pipeline & sewer repairs and maintenance include expenditure on repairs and extension of water pipeline and sewer and is adjusted for opening and closing technical stock
- Plant and Treatment works repairs include expenditure incurred for dislodging desilting replacement of filter media in the treatment plants
- Motor Vehicle & Cycle Repairs refers to expense incurred in vehicle maintenance and motor cycle

Notes to the Financial Statements (continues)

- Tools refers to sewer rods, jembes, slashers, spades used in operation
- Fuel, lubricants for Motor Services Supplies refers to cost incurred for smooth running of vehicles and cycles

14(a)	Specialized Services	2024	2023
		Kshs	Kshs
	Subscriptions for staff and WASPA	1,164,666	1,052,670
	Meter Audit	-	1,166,245
	Legal Fees	4,117,087	6,930,113
	NEMA	210,000	115,000
	Consultancy Services	977,400	1,056,466
	Non-Revenue water	510,516	-
	QMS	395,040	551,200
	System support and maintenance fee	125,000	0
	Total	7,499,709	10,871,694

- Consultancy services expense include cost of stamp duty paid to Kenya Revenue to increase the nominal capital of the company, consultancy on renewable energy and strategic and business plan of the company.
- Subscription expenses relate to annual subscription to WASPA and professional bodies to staffs
- Meter audit expense relates to meter census for the company wide metered connections
- Legal fees relate to fee note in relation to pending court cases against the company.
- QMS are expenses incurred for external water quality test and effluent tests.
- System support and Maintenance fee relates to the cost that was incurred for billing system (GI-client)

15	Administrative Levies	2024	2023
		Kshs	Kshs
	Administrative Levies to WASREB	16,125,415	16,982,077
	Administrative Levies to WARMA	-	17,000
	Total	16,125,415	16,999,077

- Administrative levies to Water Services Regulatory Board (WASREB) are calculated at the rate of 4% of the total revenue billed.
- Administrative levies to Water Resource Authority (WRA) are billed quarterly at the rate of 50 cents per meter cubed (M3) of water abstracted from the river by the company but however this year the authority has not invoiced the company due to a suit pending in court.

Notes to the Financial Statements (continues)

16 Property Plant and Equipment

Cost or Valuation	Furniture & Fittings	Computer & Related Equipment	Network (Water Pipeline and Infrastructure)	Water Meters	Water Pump – Matisi T/W	Motor Cycles	Mobile Phones	Total
2022/2023	12.50%	33.30%	12.50%	12.50%	12.50%	25%	33.30%	
At July 1, 2022	9,023,919	16,865,047	89,573,729	46,678,454	7,548,114	1,625,448	844,353	172,159,064
Additions	2,043,364	1,691,152	4,792,319	1,474,138	5,159,000	-	999,980	16,159,953
At June 30, 2023	11,067,283	18,556,199	94,366,048	48,152,592	12,707,114	1,625,448	1,844,333	188,319,017
Depreciation								
At July 1, 2022	(1,127,990)	(992,954)	(11,196,716)	(5,834,807)	(943,514)	(406,362)	(130,848)	(20,633,191)
Charge for the year	(1,383,410)	(563,154)	(11,795,756)	(6,019,074)	(1,588,389)	(406,362)	(614,163)	(22,370,308)
At June 30, 2023	(2,511,400)	(1,558,148)	(22,992,472)	(11,853,881)	(2,531,903)	(812,724)	(744,971)	(43,003,499)
Net Book Value								
At June 30, 2023	8,555,883	17,000,051	71,373,576	36,298,711	10,175,211	812,724	1,099,362	145,315,519

Northern Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Cost or Valuation	Furniture & Fittings	Computer & Related Equipment	Network (Water Pipeline and Infrastructure)	Water Meters	Water Pump – Matisi T/W	Motor Cycles	Mobile Phones	Total
2023/2024	12.50%	33.30%	12.50%	12.50%	12.50%	25%	33.30%	
At July 1, 2023	11,067,283	18,556,199	94,366,048	48,152,592	12,707,114	1,625,448	1,844,333	188,319,017
Additions	-	-	3,668,198	6,785,065	-	-	122,393	10,575,656
At June 30, 2023	11,067,283	18,556,199	98,034,246	54,937,657	12,707,114	1,625,448	1,966,726	198,894,673
Depreciation								
At July 1, 2023	(2,511,400)	(1,558,148)	(22,992,472)	(11,853,881)	(2,531,903)	(812,724)	(744,971)	(43,003,499)
Charge for the year	(1,383,410)	(6,179,214)	(12,254,281)	(6,867,207)	(1,588,389)	(406,362)	(654,920)	(29,333,783)
Acc depreciation At June 30, 2024	(3,894,810.00)	(7,737,362)	(35,246,753)	(18,721,088.13)	(4,120,292)	(1,219,086)	(1,399,891)	(72,337,282)
Net Book Value								
At June 30, 2024	7,172,473.00	10,818,836.73	62,787,493.25	36,216,568.88	8,586,821.75	406,362.00	566,835.24	126,557,391

Notes to the Financial Statements (continues)

17	Intangible Assets	2024	2023
		Kshs	Kshs
	At July 1, 2023	8,862,671	7,564,736
	Additions	0	1,297,935
	At June 30, 2024	8,862,671	8,862,671
	Amortization		
	At July 1, 2023	(6,123,463)	(5,798,979)
	Charge for the year (25%)	(1,107,834)	(324,484)
	At June 30, 2024	(7,231,297)	(6,123,463)
	Net Book Value at June 30, 2024	1,631,374	2,739,208

Rate for amortization is 12.5% on the intangible asset balance

18	Income Tax Expense	2024	2023
		Kshs	Kshs
	Profit before tax	(24,017,736)	6,194,872
	Add disallowable expenses		
	Depreciation charge	29,333,783	22,370,308
	Amortization charge	1,107,834	324,484
	Increase in provision for bad and doubtful debts	1,349,172	2,462,034
	Taxable profit	7,773,054	31,351,697
	Less wear and tear	(29,333,783)	(22,370,308)
	Adjusted profit	(21,560,730)	31,351,697
	Net tax liability (30%)	6,468,219	2,694,417
	Reconciliation of tax expense/(credit) to the expected tax based on accounting profit		
	Profit before Taxation.	(24,017,736)	6,194,872
	Tax at the applicable tax rate of 30%	(7,205,321)	1,858,462
	Tax effects of expenses not deductible for tax purposes	(8,800,135)	(6,711,092)
	Tax effects of income not taxable	9,537,237	7,547,048
		6,468,219	2,694,417

19 Earnings Per Share

The company's loss after tax was Ksh (17,549,517) against issued shares of 4,500,000 resulting in (EPS) Ksh 4

20	Inventories	2024	2023
		Kshs	Kshs
	Technical Stock	5,566,905	8,707,605
	Chemicals	1,261,838	1,432,798
	Total	6,828,743	10,140,403

- Technical stock includes value of water meters, pipes and fitting at the close of the financial year.
- Chemicals refer to value of Chlorine and Aluminum Sulphate at the close of the financial year.

Notes to the Financial Statements (continues)

21	Trade and Other Receivables	2024	2023
		Kshs	Kshs
	Trade receivables (Note 21(a))	439,409,795	413,775,514
	Other receivables		
	Deposit and prepayments-KPLC	1,365,849	1,365,849
	Unpaid Share Capital	67,020	67,020
	Staff receivables	352,728	835,839
	Customer water deposit (NWCPC)	1,045,560	1,045,560
	Deposit refund		-
	Un claimed VAT	4,507,226	4,507,226
	Total	446,748,178	421,597,008

- Deposit and prepayments refer to deposits made to Kenya Power when the company secured Kenya power connections.
- Staff Receivables refers to outstanding salary advance to staff at the close of the year. Staff salary advance is recoverable in three months.
- The amount of Ksh 67,020 relates to 1,854 shares of Kitale Municipal Council @ksh 20 per value and 1,497 shares @Kshs 20 per value of Webuye Municipal Council that remain unpaid at the close of the financial year. 1649 shares @Kshs 20 of Bungoma Municipal council were the only amount paid amounting to Kshs 32,980 leaving the balance of Kshs 67,020 as unpaid
- Customer water deposit refers to deposits paid by customers to National Water and pipeline corporation but was not transferred to Nzoia water.
- VAT Control refers to unpaid refund to the company at the close. VAT Tax withholding, the company holds 2% of the supplier's tax and remits to K.R.A on a monthly basis by 19th day of every month.

21(a)	Trade Receivables	2024	2023
		Kshs	Kshs
	Gross receivables	462,536,626	435,553,173
	Provision for bad and doubtful debts(5%)	(23,126,831)	(21,777,659)
	Total	439,409,795	413,775,514

The provided a general provision of 5%

Aging of Trade Receivables			
	Kitale	256,291,910	236,202,479
	Bungoma	91,513,220	86,609,326
	Webuye	53,201,219	52,590,143
	Kimilili	36,733,882	37,729,692
	Chwele	24,796,395	22,421,533
	Total	462,536,626	435,553,173

22	Short term deposit	2024	2023
		Kshs	Kshs
	Short term deposit – Equity Bank	-	16,493,860

The company held Ksh 18.2 million in fixed deposit account which was used to offset Overdraft.

Notes to the Financial Statements (continues)

23	Cash and Bank balances		
		2024	2023
	Revenue accounts	Kshs	Kshs
	Equity Bungoma (A/C No 0486291148425)	13,036	88,612
	Equity Kitale (A/C No 033029145916)	38,242	286,298
	M-pesa working capital account-A/C No.548600	79,007	1,109
	M-pesa Account -A/C No.548600	558,208	263,834
	Operations Accounts		
	Equity Operations Kitale A/C No 033029337641	13,080	6,703
	KCB – Operations Webuye A/C No 1107155924	124,756	410,624
	Deposit and Savings Accounts		
	KCB (Bungoma (Materials (A/C No 1128241358)	794,073	1,065,007
	KCB (Bungoma (Savings A/C No 1135620318)	186,409	186,409
	Project Accounts		
	Cooperative Bank of Kenya-Kitale A/C No 01141745828500	375,954	2,122,937
	Cooperative Bank of Kenya-Bungoma A/C No 01141745816100	1,221,597	1,252,637
NCBA KENYA ACC 8997360018	2,530,120	-	
Total	5,934,483	5,684,170	
24	Ordinary Share Capital	2024	2023
		Kshs	Kshs
	Authorized 5,000 shares at ksh 20 par value	100,000	100,000
24(a)	General Reserve	50,250,468	90,250,468
25	Trade and Other Payables	2024	2023
		Kshs	Kshs
	Trade Payables	120,557,071	149,113,029
	Other payables		
	Water Deposit NWPC	1,045,560	1,045,560
	VAT WHT	234,737	234,737
	Payroll Liabilities (Un paid salaries as at June 2024)	30,534,578	18,413,109
	Other trade liabilities	-	59,540,823
	Water Deposit	76,006,608	71,071,121
	Unapplied Cash Liability/Unknown bank deposit	-	171,692
Total	228,387,554	299,590,071	
25(a)	Other Payables	2024	2023
		Kshs	Kshs
	Water Deposit	78,397,182	73,258,695
	Deposit refund	(2,390,574)	(2,187,574)
Total	76,006,608	71,071,121	

Note: Customer deposit Kshs 78,397,182 less deposit refund Kshs.2,390,574 totaling to Kshs.76.006,608

Notes to the Financial Statements (continues)

25(b)	Other Payables	2024	2023
		Kshs	Kshs
	Water Deposit	-	4,769,684
	Deposit refund	-	222,630
	Total	-	4,992,314

Note: This relates to amount for new water deposit and customers refunds for the year.

26 Retirement Benefits Obligation

The company operates a defined benefit scheme (Laptrust and Lapfund) for all full-time employees. The scheme is based on 15% basic pay of employee. The liability at the end year is as follows.

	2024	2023
	Kshs	Kshs
Laptrust	48,719,004	23,255,580
Lapfund	76,578,592	34,159,428
NSSF	9,851,152	2,249,705
Total	135,148,748	59,664,713

27 Related Party Disclosures

a)	Key Management Compensation	2024	2023
		Kshs	Kshs
	Directors' emoluments	4,843,691	2,630,657
	Compensation to the CEO	-	-
	Compensation to key management Gratuity	3,743,599	4,614,124
	Total	8,587,290	7,244,781

Compensation to CEO during the year under audit the company is inclusive to Key management where the cost is under Gratuity.

b)	Due to Related Parties	2024	2023
		Kshs	Kshs
	County Governments	47,152,530	7,152,530
	Lake Victoria North Water Services Board	101,232,688	101,832,688
	Water Services Regulatory Board	19,709,578	20,102,578
	Water Resource Management Authority	11,809,111	11,809,111
	Total	179,903,907	140,896,907

The Lake Victoria North Water Works Agency Development and NZOWASCO entered into Service provision agreement under which the service board agreed to provide to the service provider with infrastructure, fixed assets and facilities associated with management and administration of the services. During the period of SPA, the service provider is required to pay the water service Board a portion of collected revenue for the use of assets. During the year under review the amount was charged as administrative levies.

Notes to the Financial Statements (continues)

28	Cash and bank balances	2024	2023
		Kshs	Kshs
	Short term deposits (Note 23)	0	16,493,860
	Cash and bank balances (Note 24)	5,934,483	5,684,170
	Total	5,934,483	22,178,030

29	Contingent Liability	2024	2023
		Kshs	Kshs
	Legal Claims against the Company	6,500,000	6,500,000

As at 30th June, 2024 Nzoia water had pending lawsuits which relate to legal claims by former employees and customers estimated at Kshs 6.5 million. Judgement in respect of these cases had not been determined as at 30th June, 2024. The amount has been disclosed in these financial statements as it was not possible to accurately quantify the potential liability arising from all of them. The Directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or results of the company.

The company had deposited Kshs 4,572,749 of case number ELRC NO.188 of 2018 to court on 26th May 2023 which will be refunded to the company once the case is over.

30. Audit fees

As at 30th June 2024 the outstanding audit fee amount was Kshs.3,492,000 which is disclosed under trade and other payables.

31. Financial Risk Management

The company's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows.

Notes to the Financial Statements (continues)

	Fully Performing	Past due	Impaired	Total amount
As at 30 June, 2024	Kshs	Kshs	Kshs	Kshs
Receivable from exchange transactions	175,763,918	263,645,877	23,126,831	462,536,626
Receivable from non exchange transactions	7,338,383	1,349,172		8,687,555
Bank Balances	5,934,483			5,934,483
Total	189,036,784	264,995,049	23,126,831	477,158,664
As at 30 June, 2023				
Receivable from exchange transactions	152,443,622	261,331,892	21,777,659	435,553,173
Receivable from non exchange transactions	7,530,639	2,478,429	-	10,009,068
Bank Balances	22,178,030	-	-	22,178,030
Total	182,152,291	263,810,321	21,777,659	467,740,271

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

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

ii) Liquidity risk management

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

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

	Less than 1month	Between 1-3months	Over 5 months
At 30 June 2024	Kshs	Kshs	Kshs
Trade Payables	30,534,578	95,464,800	125,999,378
Other payables	53,983,624	-	-
Employee benefit obligation	9,851,152	10,052,054	-
Total	94,369,354	105,516,854	125,999,378
At 30 June 2023			
Trade Payables	20,313,296	66,090,496	86,403,792
Other payables	59,540,823	-	-
Employee benefit obligation	2,204,575	11,524,986.00	-
Total	82,058,694	77,615,482	86,403,792

Notes to the Financial Statements (continues)

iii) Market Risk

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

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

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

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

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

iv) Interest Risk

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

v) Management of interest rate risk

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

vi) Capital Risk Management

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

	2024	2023
	Kshs	Kshs
Ordinary share capital	100,000	100,000
General Reserves	50,250,468	90,250,468
Retained earnings	(6,081,508}	11,468,009
Total Funds	44,268,960	101,818,477
Total borrowings	-	-
Less: Cash and Bank balances	5,934,483	5,684,170
Net debt(excess cash and cash equivalent)	5,934,483	5,684,170
Gearing	(0.056%)	(0.06%)

Notes to the Financial Statements (continues)

32. Delustering of NZOWASCO

The task force was formed jointly by the two county governments to establish if it is viable for the company to deluster as per the County Government Act No.17 of 2012.

33. Incorporation

The company is incorporated in Kenya under the Kenya's Companies Act and it is domiciled in Kenya.

34. Events after the reporting period

There were no material adjusting and none adjusting events after the reporting period.

35. Currency

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

20. APPENDICES

APPENDIX I: PROGRESS ON FOLLOWUP OF AUDITORS RECOMMENDATION

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)								
Issue No. 1: Inaccuracies in the Financial Statements	<p>Examination of the financial statements revealed inaccuracies and non-compliance with the revised International Public Sector Accounting Standards (IPSAS) financial reporting template for 2022/2023 financial year, as detailed below:</p> <p>1. Note 17 to the financial statements reflects an amount of Kshs.324,484 as intangible assets amortization charge for the year. However, a re-computation of amortization charge based on the amortization policy indicates an amount of Kshs.2,215,668 resulting to an unreconciled variance of Kshs. 1,891,184.</p> <p>Comparison of the amounts reported in the statement of profit or loss and other comprehensive income and the statement of comparison of budget and actual amounts revealed an unreconciled variance of Kshs. 19,897,181 as indicated in the table below,</p> <table border="1" data-bbox="288 1767 831 1865"> <thead> <tr> <th>Item</th> <th>Statement of Profit or Loss and Other</th> <th>Statement of Comparison</th> <th>Variance (Kshs)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Item	Statement of Profit or Loss and Other	Statement of Comparison	Variance (Kshs)					<p>The amortization charge is based on additions but not on net of intangible assets however the balances as per the re-computation was correct.</p> <p>The management has resolved the matter on statement of profit and loss and other comprehensive income.</p>	Partially resolved	
Item	Statement of Profit or Loss and Other	Statement of Comparison	Variance (Kshs)									

Reference No. on the external audit Report	Issue / Observations from Auditor				Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		Comprehensive Income (Kshs)	of Budget and Actual Amounts (Kshs)				
	Total Revenue	437,921,107	419,105,118	18,815,989			
	Total Expenses (net of Depreciation and Amortization)	409,031,443	410,112,635	1,081,192			
				19,897,181			
Issue No. 2: Unsupported Amounts due to Related Parties	The statement of financial position reflects a balance of Kshs. 140,896,907 in respect of dues to related parties which, as disclosed in Note 27(b) to the financial statements, relates to four (4) Government Organizations. The dues arose from agreements between the Company and the Organizations for provision of infrastructure, fixed assets and facilities associated with Management and administration of services. However, signed service agreements and detailed schedules in support of the balance were not provided for audit. In the circumstances, the accuracy and completeness of the balance of Kshs. 140,896,907 could not be confirmed.				Communicated to the county Governments to trace the Service Providers Agreements	A query for compliance	
Issue No. 3: Non Revenue	I draw attention to information contained in preliminary (institutional) information to the financial statements which indicates that during the year under review, the Company realized non-revenue water of 48% of total				The significant losses were created as a result of; a. Non-revenue water at 47.25%	A query for compliance	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Water	<p>water produced, representing water produced but not billed to customers. The loss of 48% of water was above the 25% loss allowed by the Water Service Regulatory Board (WASREB). No justifiable explanation was provided for the 23% excess loss through unaccounted for water.</p> <p>In the circumstances, the company is not able to achieve its objective of providing Sufficient water to the residents of the County.</p>	<p>i. The company uses PVC pipes which were prone to leakage and bursts and deliberate destruction by independent water vendors.</p> <p>ii. The road construction works done within the Counties damaged the water distribution infrastructure leading to water losses. The company makes efforts to reach out to the contractors through communication to counties for the purposes of immediate repairs, relocation and reconstruction of supply lines as part of our efforts to mitigate against the</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timefram (Put a date when you expect the issue to be resolved)
		<p>losses.</p> <p>iii. Old dilapidated pipe infrastructure which results to frequent leaks and bursts.</p> <p>iv. Some of the rural community water schemes handed over to the company are a high contributor to Non-Revenue Water because of;</p> <ul style="list-style-type: none"> • Rural schemes are sparse and the response to leaks and bursts is challenging • Water theft is also a cause of concern. This is done by meter tampering, where customers using private plumbers interfere with the meters. • The construction of most of the line was done by entities 		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>other than the company and the quality of the works done need replacement with proper quality materials.</p> <ul style="list-style-type: none"> • Some of the water connections in these water schemes e.g Cheskaki treatments were metered but meters removed by the community. Currently they are disconnected Action taken; The Company has since undertaken the following actions. <ol style="list-style-type: none"> i. From the year 2018, the company has been replacing the old PVC pipes with modern HDPE and PPR pipes which are of high quality in order to reduce regular leakages and 		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		<p>bursts along the supply lines.</p> <p>ii. The company has since purchased 8 motorbikes for purposes of easing line patrol movements by operation and maintenance officers along supply lines. Leakage survey helps to ensure that early attention is given to such losses before they occur in massive amounts. Motorbikes also help to ensure that that there is quick response to water leakages and bursts.</p> <p>i. The company has embarked on calibrating production meters and creating District Metering Areas and at the same time monitoring the performance of those</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>District Metering Areas.</p> <p>iv. Crack down on illegal connections. The crackdown was complemented by a meter audit exercise sanctioned by the board. The report helped to identify 34 illegal connections. The company has also engaged security organs in curbing illegal connections especially in Chesikaki and Terem water schemes where many consumers had initially connected to the Company's main water supply illegally. Illegal connections have been attracting penalties as shown in the billing</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		<p>statements.</p> <p>v. Progressive installation of water meters to non-metered consumers that are handed over by the rural water schemes to the company</p> <p>vi. The company has upgraded to mobile meter reading using smart phones coupled with procuring and operationalization of an ERP system which has integrated the meter reading, billing, customer care, NRW and other modules thus enhancing data handling efficiency</p> <p>vii. The residents in low-income areas eg Mjini in Bungoma and Kipsongo in</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Kitale are unable to afford individual water connections, this has made them resort to vandalism of the company's pipeline to draw water. However, the company through Water Services Trust Fund has constructed water kiosks which provide water to the locals at affordable prices (Kshs 2 per 20 litre).</p> <p>viii. Due to financial constraints, the company was not able to procure meters as per the procurement plan; the management is therefore doing proposals to development partners to source for funds towards investment in smart meters for abstraction and</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		<p>production.</p> <p>With the creation of water police unit, the company will engage the unit for arrest and prosecution of illegal connection culprits. This will assist the company to reduce the non-revenue levels</p>		
Issue No. 4: Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.484,513,000 and Kshs.419,105,118 respectively, resulting to underfunding of Kshs.65,407,882 or 13% of the budget.</p> <p>Similarly, the statement reflects total actual expenditure of Kshs.410,122,635 against the approved budget of Kshs.484,513,000 resulting to underperformance of Kshs. 74,390,365 or 15% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The company has added a new water treatment with a design capacity of 4,000m³ in Bungoma county that will reserve approximately 86,000 people which will result in revenue growth.</p>	resolved	
Issue No. 5: Non remittance of	<p>The statement of financial performance reflects an amount of Kshs. 148,210,621 in respect of staff costs which, as disclosed in Note 10(ii) to the financial statements, includes Kshs. 13,729,561 relating to</p>	<p>I. The company has been facing cash flow challenges due to inflation resulting to high cost of</p>	Partly resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
pension contributions	<p>employee benefits being amounts deducted from the employees' salaries on account of LAPFUND, LAPTRUST and NSSF.</p> <p>However, no evidence was provided to confirm that the amounts deducted were remitted to the respective bodies. No explanation was provided for the failure to remit the amounts deducted from staff salaries as required by law.</p>	<p>electricity and chemicals. This has led to financial constraints making it difficult to honor all its current obligations.</p> <p>Action taken: The company has taken the following cost recovery interventions to improve its financial performance and enable it pay its obligations:</p> <ul style="list-style-type: none"> • A new tariff for (2023-2025) has been implemented. • The company is projecting an increase in revenue collection once the new billing system stabilizes. This will enable the company meet its obligations. • The debt management policy will be implemented by procuring a debt 		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
		<p>collector to increase recover-ability of trade receivables.</p> <p>The Management has since engaged both LAPFUND and CPF Financial Services (LAPTRUST) to negotiate on a payment plan of the pension contribution and waiver of penalties.</p>		
<p>Issue No. 6: Non-Compliance with the Law on Ethnic</p>	<p>Analysis of staff bio data submitted for audit revealed that during the year under review, the Company had 269 staff comprising of 81 on contractual basis and 188 on permanent and pensionable terms. However, out of this number, 209 or 78% were from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides no public establishment shall have more than one third of its staff from the same ethnic community.</p>	<p>The majority of the staff were from the defunct Kitale, Bungoma, Webuye, and Kimilili municipalities that Nzoia Water Services Company inherited and are still in employment. However, there is a reasonable ethnic distribution at the managerial level. The company is taking steps to comply with the National Cohesion Act of 2008 in its continuing recruitment process</p>	<p>Not resolved</p>	

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

The Company purchased operational assets amounting Ksh 10,575,656 as outlined in note 16

APPENDIX III: INTER PARTY TRANSFERS

During the year under review there was no interparty transfer.

APPENDIX IV: RECORDING OF TRANSFER FROM OTHER GOVERNMENT ENTITIES

During the year under review there was no inter-government transfer.

APPENDIX V: EXPLANATION ON VARIANCES BETWEEN THE ACTUAL AND BUDGETED AMOUNTS

Revenue:

The company did not achieve the targeted amounts of ksh 537,713,546 and had an unfavorable variance of 17%, this was contributed majorly by the effects of pump breakdowns, road grading and rampant illegal connections where collection was greatly affected.

Staff costs-NSSF

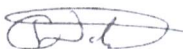
The company vote head was over spent by 61%. There were changes in NSSF Act of 2022 which affected the enacted of new cost hence increased the expense. Contribution rates were revised upwards.

Office general expenses-(stakeholders and marketing, postage and delivery, hospitality and bank charges):

The vote heads had unfavorable variance due frequent meeting with local community at Chesikaki to resolve on matters of political hostility in the area. Re-stocking of ream papers was done when the cost of reams had increased. The hospitality increased due to declustering exercise which was going on, recruitment of new board.

Operation and maintenance (plant maintenance):

High Rehabilitation costs of Kitale & Bungoma sewerage system, High Rehabilitation costs of treatment plant, Painting works, high costs of electrical appliances for the plants and access roads works.



Carolyne Nalyanya Mutoro
CHAIRPERSON



CPA Mathew Maruti Wakhungu
MANAGING DIRECTOR

