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REPORT

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OF

THE AUDITOR-GENERAL

ON

**NAKURU WATER AND SANITATION
SERVICES COMPANY LIMITED**

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





Enriching Life



**NAKURU WATER AND SANITATION SERVICES
COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2022**

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

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I. KEY COMPANY INFORMATION

Background information

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) was established under the Companies Act, 2015 on 8th September 2003 and it is fully owned by the County Government of Nakuru. At the County level, the Company is represented by the County Executive Member for water and sanitation and the County Executive Member for finance & Economic Planning, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru Town East and Nakuru town West Sub-counties and its environs.

Principal Activities

Vision

“To be the Leading Water Utility in Kenya”

Mission

“To provide Climate Resilient and sustainable water and Sanitation Services to the delight of our customers”

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 fulfil 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 principal activities of the Company are to:-

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

Shareholding

The Company is fully owned by the County Government of Nakuru and is registered with 5,000 shares of Kshs.20 each. According to the Company Memorandum and Articles of Association the shares are held in trust are as follows: -

Shareholding	Number of Shares Held
The County Government of Nakuru	4,996
Her Excellency the Governor of County Government of Nakuru	1
The County Executive Committee Member, Finance & Economic Planning, County Government of Nakuru	1
The County Executive Committee Member, Water, Environment, Energy & Natural Resources, County Government of Nakuru	1
The County Secretary, County Government of Nakuru	1
TOTAL	5,000

Each shareholder has one voting right and the County Government is represented by a proxy during general meetings.

Directors

The Directors who served the company during the year were as follows:-

1. Ernest Kiarie Muibu	Chairman	Appointed on 1 st July, 2022
2. Eng. James N. Gachathi	Managing Director	Appointed on 26 th June, 2014
3. Eng. Festus K. Ngeno	Non-Executive Director	Appointed on 9 th September, 2017
4. CPA Sebastian M. Kanyari	Non-Executive Director	Appointed on 15 th October, 2020
5. CPA Charles Okeyo Owuor	Non-Executive Director	Appointed on 15 th October, 2020
6. Joseph Kiuna	Non-Executive Director	Appointed on 9 th February, 2022
7. Eng. John K. Kimani	Chairman	Retired on 30 th November, 2021
8. Dr Peter K. Katyonya	Non-Executive Director	Retired on 9 th February, 2022
9. Gladys Achieng' Ndeda	Non-Executive Director	Retired on 30 th June, 2022
10. Jennifer J. Kigen	Non-Executive Director	Retired on 30 th June, 2022
11. Monicah W. Gitone	Non-Executive Director	Retired on 30 th June, 2022

Registered Office

NAWASSCO Plaza
 Government Road
 P.O Box 16314-20100
NAKURU

Corporate Contacts

Telephone: +254221269
 E-mail: info@nakuruwater.co.ke
 Website: www.nakuruwater.co.ke

Nakuru Water and Sanitation Services Company Limited
Annual Reports and Financial Statements
For the year ended 30th June, 2022

Corporate Bankers

Co-operative Bank of Kenya
Nakuru Branch
P.O. Box 2982-20100
NAKURU

Equity Bank
Kenyatta Avenue Branch
P.O Box 3178-20100
NAKURU

Family Bank
Kenyatta Avenue Branch
P.O Box 519-20100
NAKURU

Independent Auditors

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

Principal Legal Advisers

County Attorney
County Government of Nakuru
P.O Box 2870-20100
NAKURU



II. BOARD OF DIRECTORS


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

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

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

NO	NAME	PROFILE
1.	 <p>Ernest Kiarie Muibu Non-Executive (Chairman)</p>	<p>Mr Muibu, 64, was appointed on 1st July, 2022 to represent Resident Organizations and he is the Chairman of the Board.</p> <p>He is currently the Managing Director of Avenue Suites Hotel in Nakuru, advisory board member-Unitas Bank, advisory member & amp; Vice Chairman-So They Can, (an NGO that empowers children living in poverty through education) . He is also a Director -Rift Valley General Hospital-Nakuru and the Chairman-Operation Eyesight Universal, Chairman-Kenya Budget Hotels-Nakuru and a Director- Carnations Dry-cleaners-Nakuru</p> <p>Mr. Muibu has had the opportunity to serve in the defunct Municipal Council of Nakuru as a Town Clerk from 1997 to 1999. Mr.Muibu worked as a Principal Auditor General State Corporations-Nakuru from 1990 to 1997. From 1983 to 1990, Mr. Muibu was the Assistant Inspector of State Corporations (Office of the President)-Nairobi.</p> <p>Mr. Muibu holds a BSC Degree in Business Administration and Public Management Development Program (Performance Auditing)</p>
2.	 <p>Eng. Festus K. Ngeno Non-Executive Director</p>	<p>Eng. Ngeno, 42, was appointed on 9th September, 2017 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Water, Environment, and Energy & Natural Resources. Other positions he has held before include: Group Manager, Water Treatment Division at Davis & Shirliff Ltd, and Managing Director at Kericho Water & Sanitation Company Ltd.</p> <p>Eng. Ngeno sits in other Boards including: Council of Governors on Water, Forestry & Mining –CECMs Caucus, World Vision Kenya (WVK), Nakuru Rural Water & Sanitation Services Co. Ltd, Naivasha Water & Sanitation Company Ltd and Imarisha Lake Naivasha Management Board.</p>

		<p>Eng. Ngeno is a Water, Sanitation & Environmental Engineer. He has degree in BSc Water & Environmental Engineering from University of Nairobi, a Master's degree in MSc, Water & Environmental Engineering from University of Nairobi and Currently pursuing a Doctorate Degree (PhD) in Water & Environmental Engineering at the University of Nairobi. He also has a Post Graduate Diploma Course in Leadership & Corporate Governance from Kenya College of Accountancy (KCA) University.</p> <p>He has fifteen Water, Sanitation, Environmental and GIS sectors. In addition, he has good experience in the Public and Private Sector at Senior Management Level Managing Operations in Kenya, Uganda, Zambia, S. Sudan, Rwanda, Tanzania and Ethiopia.</p> <p>Committee membership: Technical & Social and Audit & Governance Committee.</p>
3.	 <p>Joseph W. Kiuna Non-Executive Director</p>	<p>Mr Joseph Kiuna, 54, was appointed on 9th February 2022 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.</p> <p>Mr. Kiuna has worked in the Kenyan Insurance industry for over 22 years and is a Chartered Insurance Practitioner. Among the positions he has held before include: CEO Britam General Insurance Company; Group CEO Real Insurance Company Limited; Deputy Managing Director Madison Insurance Company Limited; Division Director AON Minet Insurance Brokers and General Manager Chancery Wright Insurance Brokers Limited.</p> <p>Committee membership: Audit & Governance committee (Chairman) and Finance & Staff committee.</p>
4.	 <p>CPA Sebastian Mwangi Kanyari Non-Executive Director</p>	<p>CPA Mwangi, 61, was appointed on 15th October, 2020 to represent the Manufacturing Community.</p> <p>CPA Mwangi holds an MBA (Finance Option) degree from Egerton University and he is currently pursuing a Post Graduate Certificate in MSc Audit & Management at Birmingham City University. In addition, he has CPA (K), he is a Member of ICPAK a practicing Accountant</p> <p>CPA Mwangi is a Managing Partner Designate of Ruoro Kotut & Company Certified Public Accountant and had previously worked at various organizations such as Johanniter International Assistance in Berlin, Humedica International in Germany-Darfur Mission Sudan, Wangai Kotut & Company, Kenya Farmers Association Limited and National Cereals &</p>

		<p>Produce Board.</p> <p>Committee membership: Audit & Governance committee and Finance & Staff committee.</p>
5.	 <p>CPA Charles Okeyo Owuor Non-Executive Director</p>	<p>CPA Okeyo, 48, was appointed on 15th October, 2020 to represent the Learning Institutions. He holds a Bachelor of Law degree (LLB Hons) from Egerton University, Bachelor of Commerce (Finance Option) and MBA (Finance Option) degrees from Kabarak University. He has CPA (K) and is currently a PhD candidate at Egerton University in Business & Management (Finance Option). He is a member of ICPAK and Practicing Accountant. In addition, he is an Associate Member of Chartered Institute of Arbitrators, Certified Fraud Examiners, member of the Institute of Internal Auditors, Certified Professional Mediator and a member of Accredited Mediators High Court of Kenya. He was (2015 to 2018) and continues (2021 to 2023) to be Committee Member, Research and Development Committee at Institute of Certified Public Accountant of Kenya (ICPAK).</p> <p>CPA Okeyo has wide experience in Research, Tax Law, Forensic Audit and Financial Management Practices, having worked as Chief Executive Officer, Calmape Engineering Ltd, Principal, MIS-Centre College of Accountancy of Management & Information Technology, Audit Manager, A.M. Karoki & Associates, Certified Public Accountants of Kenya and Legal Intern, Odhiambo & Odhiambo Advocates. He is currently a Researcher, Forensic Auditor, Financial and Tax Consultant and a Managing Partner of Dalexa and Elphony Associates, Certified Public Accountants of Kenya.</p> <p>At the same time, CPA Okeyo is a Lecturer at Egerton University in the Department of Accounting, Finance & Management Science and a part time lecturer at various universities and colleges. Further, having been in academia environment for several years, CPA Okeyo has extensively authored and published over eight (8) peer reviewed articles in various distinguished academic journals and ten (10) other publications in ICPAK and KASNEB journals respectively. He is also a Consultant with the Kenya Accountants and Secretaries National Examination Board(KASNEB).</p> <p>Committee Membership: Finance & Staff Committee and Technical & Social Committee.</p>

6.



Eng. James N. Gachathi
Managing Director

Eng. Gachathi, 52, was appointed on 26th June 2014 as the Managing Director. Before his appointment, Eng. Gachathi was the Technical Manager having been appointed on 23rd October 2007.

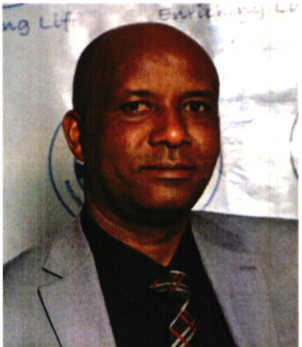

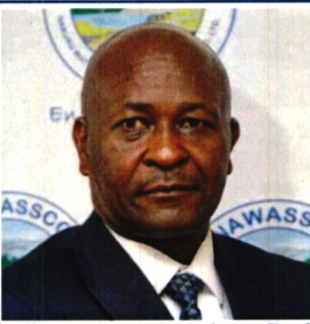
Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on – going student of MBA (Strategic Management Option) at Egerton University.

He is the Board Secretary and has a rich experience in Water Sector spanning for over 25 years



III. CORPORATE MANAGEMENT TEAM

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

The following are the Corporate Management Team: -

NO	NAME	PROFILE
1.	 Eng. James N. Gachathi Managing Director	<p>Eng. Gachathi, 52, was appointed on 26th June 2014 as the Managing Director. Before his appointment, Eng. Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p>Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p>He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on-going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He has a rich experience in Water Sector spanning for over 25 years</p>
2.	 CPA Isaac Mokaya Makori Finance Manager	<p>CPA Makori, 52, was appointed on 18th May 2009. Before joining the Company. Makori had previously worked at Pyrethrum Board of Kenya. He is experienced in Financial and Management Reporting, people management, monitoring and evaluation, Taxation and project Accounting. He served as a member of the Local Committee at Kenya Revenue Authority, Nakuru for 2 years and he is a BOM member in various schools.</p> <p>CPA Makori holds a degree in Bachelor of Commerce (Accounting Option) from Kenyatta University and an MBA (Finance Option) from Kenya Methodist University. He is a CPA (K) and a Member of the ICPAK. He is also a Certified M&E expert and a member of Kenya Institute of Management and has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Baringo Campus. He has 27 years of work experience.</p>
3.	 CPA James Muthee Gathairu Commercial Manager	<p>CPA Gathairu, 52, was appointed on 18th May 2009. Before joining the Company, CPA Gathairu was an accountant with Kenindia Assurance Co. Ltd for 7 years and Chief Accountant with Blue Shield Insurance Co. Ltd for 7 years.</p> <p>He has a rich experience in finance and business development spanning for over 26 years.</p> <p>CPA Gathairu holds a degree in Bachelor of Arts (Business Studies & Economics) from Kenyatta University and an MBA (Finance Option) from University of Nairobi. He has CPA (K) and he is a Member of ICPAK.</p>

<p>4.</p>	 <p>CPA Joseph John Githinji Internal Audit Manager</p>	<p>CPA Githinji, 46, was appointed on 1st November 2013.</p> <p>Before joining the Company, CPA Githinji previously worked with M/s Kariru & Associates (Certified Public Accountants), Kenya Wildlife Service (KWS) (Ag. Manager Internal Audit and Mombasa Water (Internal Audit Manager).</p> <p>He has a rich experience in Accounting spanning for over 22 years.</p> <p>CPA Githinji holds a degree in International Business Administration (Finance Option) from United States International University (USIU). He has CPA (K) and CS (K). He is a Member of the ICPAK and ICPS (K).</p>
<p>5.</p>	 <p>Margaret Wanjiru Kinyanjui Technical Manager</p>	<p>Ms Wanjiru, 37, was appointed on 1st September, 2018.</p> <p>Before joining the Company, M/s Wanjiru worked as the Technical Manager of Nanyuki Water & Sewerage Company. Prior to Nanyuki Water Company, she was the Operations Manager Nyahururu Water & Sanitation Company and Assistant Resident Engineer of JBG GAUFF INGENIEURE.</p> <p>Ms Wanjiru holds a Bsc degree in Water & Environmental Engineering from Egerton University and an MSc in Project Planning & Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT). She is a Certified M&E expert, and has various certificates in AUTOCAD, MS Project and leadership.</p> <p>She has a rich experience in Water & Sanitation Management spanning for over 12 years.</p>
<p>6.</p>	 <p>Willy Kibet Procurement Manager</p>	<p>Mr. Kibet, 34, was appointed on 1st March 2019.</p> <p>Before joining the company, Mr. Kibet worked as a Tutorial Fellow for Maseno University. Prior to Maseno University, he was Assistant Director Procurement, County Government of Bomet and seconded to Bomet Water Company.</p> <p>Kibet holds a degree in Purchasing and Supplies Management and a master degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a registered member of the Certified Procurement and Supply Professional of Kenya (CPSP-K) and the Kenya Institute of Supplies Management (KISM).</p> <p>He has a rich experience in procurement spanning over 11 years.</p>

<p>7.</p>	 <p>Anthony Kipkurui Kamar ICT Manager</p>	<p>Mr Kamar, 34 was appointed on 1st March 2019</p> <p>Before joining the company, Mr Kamar worked with the Kenya Film Classification Board for 8 years as the Head of ICT. He has vast experience in project management, ICT security & audit and implementation of management information systems.</p> <p>Mr Kamar holds a bachelor’s degree in Business Management and IT from Kabarak university, an MBA (Operations Management) from the University of Nairobi; He is a member of the computer society of Kenya (FCSK).</p> <p>He has a rich experience in ICT spanning over 11 years.</p>
<p>8.</p>	 <p>Carditor W. Muchoki Human Resource & Admin. Manager</p>	<p>Ms Muchoki, 35, was appointed on 1st July, 2022 having acted in the position since 17th July, 2020. Previously she had worked as the Human Resource Officer.</p> <p>Muchoki holds a degree in Bachelor of Commerce (HRM Option) from Grets University and she is currently pursuing a Master of Science degree in Human Resource Management at Jomo Kenyatta University of Agriculture and Technology. In addition, she has a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management.</p> <p>She is a Certified Human Resource Professional of Kenya, CHRP (K) and she is a full member of IHRM.</p> <p>She has 11years experience in Human Resource Management.</p>

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2022. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive growth in the Company and providing momentum for a secure future.

Key Activities

During the year under review, the demand for water and sanitation services in Nakuru continued to increase due to expansion of Nakuru Town given the limited sources of water. The water demand was at over 75000m³ per day against an average supply of 40,000m³ per day which the National Government and County Government are addressing to bring more water to Nakuru Town since it is soon becoming a city. A total of 31,513m³ per/day was achieved due to power failure and breakdown of pumps. This result to the company achieving an average of 20hrs of supply per a day.

On Non-Revenue Water (NRW), the Company achieved 30% against the sector benchmark of 25%. This was done by continuing with the installation of master zonal and consumer meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the Non-Revenue Water (NRW).

Achievements

Despite the effects of covid-19 pandemic, the company continued with the provision of water and sanitation services which led to financial stability during the period under review. Through its strong foundation on corporate governance structures, the company was able to get financial support from various donors such UNICEF, JICA and WSTF.

During the period, the company continued implementing its strategic plan 2018/19 to 2022/23. The plan details various investment plans which aim to ensure NAWASSCO's growth. The main objectives of the strategic plan are: increased water production to meet the demand, reduction of NRW, financial sustainability, improved corporate image & visibility and improved customer service.

The Company was involved in a number of initiatives which benefited the surrounding the community and employees, . The initiatives were in line with the right to water and sanitation as enshrined in Article 41 & 43 of the Constitution 2010.

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and facebook on matters to do with water interruptions. The Company also on its part of corporate social responsibility donated 2500 trees to Kenya Forest Services and planted some trees in Dundori Forest which will go a long way in the efforts towards climate resilience. In addition on 31st May, 2022, the Company, held a Stakeholders Breakfast at WaterBuck Hotel. During the meeting, the stakeholders present were able give their feedback on service provision.

On the part of the staff, the company allowed the employees to participate in the 11th edition Water Sports Companies (WASCO) which were held in Kisumu County on 18th TO 22nd April, 2022. During the games the employees were able to interact with employees from other water companies and were able to receive trophies on the various games in which they participated.

Challenges

The cost of electricity was high due to the fact that over 90% of the water is from boreholes which are very expensive to pump water. The company together with other water companies through Water Service Providers Association applied to Kenya Power for a subsidized tariff which will reduce the cost of electricity.

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m³ of water per day against a demand of 75,000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government of Nakuru, Central Rift Valley Water Works Development Agency (CRVWWDA) and National Government. However, the Ministry of Water, Sanitation and Irrigation has drilled 14 No. of boreholes which will bring additional water into the system.

The construction of the Itare Dam water project funded by the Italian Government was stopped 4 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town. The National Government and County Government of Nakuru are working towards getting another donor to fund the Itare Dam Project which was stopped 4 years ago due to the financial difficulties facing the contractor.

The company sewer coverage is at 31% due to low funding from the County/National Government. This is a great risk to the city as it may be faced with sanitation related diseases. However, through a project to be funded by KfW Bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded.

Future Outlook

Nakuru Town is among the fastest growing towns in Kenya. Its upgrade to a city status has become a magnet for business opportunities. Due to that the Company has started positioning itself by improving of its systems and capacity building its staff to manage operations. The Company is also reaching out to development partners who have shown interest in funding the sewer network which currently has a low coverage of 31%.

As we navigate through the hard economic environment, our focus remains on safety of staff, service excellence and business continuity.

Appreciation

Once again, I would like to extend our appreciation to the County Government of Nakuru, our business partners, customers and stakeholders for the continued support to the company.

To the management and staff, we thank you for your continued commitment to delivering improved and more reliable services to our customers especially during these pandemic times. Together we celebrate our achievements for the year 2021/2022.

Thank you and May God Bless You all


ERNEST K. MUIBU
CHAIRMAN, BOARD OF DIRECTORS

V. REPORT OF THE MANAGING DIRECTOR

I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 30th June 2022. This is the 18th annual report and financial statements for the Company and demonstrates how far we have come.

Key Activities

The company has in place a 5-year Strategic Plan (2018/19 -2022/23) which is used to improve service delivery and ensure achievement of set targets by emphasizing on areas of priority in the provision of water and sanitation services.

During the year under review, remarkable improvement activities towards service delivery were carried out in the following areas: -

- i. Maintenance of water distribution network
- ii. Maintenance of sewer network
- iii. Improvement of sanitation at the low income areas
- iv. Continued use new technologies on delivery of services

On Non-Revenue Water (NRW), the Company achieved 30% against the sector benchmark of 25%. This was done by continued installation of master, zonal and consumer meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the Non-Revenue Water (NRW) in those areas.

On water quality, the company achieved 98% against the required 100%. This was mainly due to turbidity levels in bulk water supply by the supplier. Samples taken from consumer points in the water supply system did not meet drinking water quality standards especially during the wet seasons.

During the year, the company continued to utilize the Enterprise Resource Planning (ERP) System. The system integrates all functions of technical, commercial, human resource, procurement and finance. Further the system integrates with the banks for the collection of revenues. The system has brought a lot of efficiency in the operations and enhanced the company's **technological and operational growth**.

Financial Overview

During the year under review the company realized total revenue of Kshs1.019b m compared to a Kshs1.015b during the previous financial year. The revenue did not improve much as the company did not have additional sources of water. However in the next financial the revenues shall improve due to 14No. of boreholes which have been drilled by the Ministry of Water, Sanitation and Irrigation.

Staff costs went up by Kshs6.8m due to increase in staff salaries while general and operating costs went down by Kshs17.5m due less provision for debts write off

Maintenance costs went up by Kshs5.6m due to resumption of normal activities after the covid-19 pandemic and the measures which put in place fight non-revenue water

Achievements

During the year under review, as the world was settling from the devastating effects of covid-19, the company remained financially stable and was able to provide services

The company as envisaged in one of our core values of customer focus, the company continued to maintain satisfactory levels in service delivery. In the 13th Impact Report, Water Services Regulatory Board (WASREB) awarded the Company the 2nd Water Service Provider in Kenya

The water produced was distributed to customers equitably through a rationing programme. The average water supply was 20hrs/day. The amount of water produced was an average of 31513m³ per day compared to 36600m³ per day in 2020/21.

In order to improve on service delivery to customers, the company continued updating the social media platforms with campaigns on Facebook, twitter and customer WhatsApp platforms. The campaigns mainly sensitized customers on bill payment modes , checking water bills via USSD - *483*81#, service interruption and infrastructure vandalism.

The company continued to improve staff competence in an effort to maintain good service delivery. The managers who are members of various professional bodies attended physical /virtual seminars, workshops and symposiums for the purpose of improving their skills, networking and job satisfaction.

On Staff Retention, motivation and welfare, the company ensured total compliance with all policies put in place including the terms and conditions of service. An enhanced 24-hour employee insurance cover (WIBA and GPA) was procured for all employees for injuries sustained in occupational and an executive medical cover was procured for all employees across the establishment. The company allowed the employees to participate in the 11th edition Water Sports Companies (WASCO) which were held in Kisumu County on 18th TO 22nd April, 2022. This enabled the employees to interact with employees from other water companies and were able to receive trophies on the various games in which they participated.

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water interruptions. The Company also on its part of Corporate social responsibility donated 2500 trees to Kenya Forest Services and planted some trees in Dundori Forest which will go a long way in the efforts towards climate resilience. In addition on 31st May, 2022, the Company, held a Stakeholders Breakfast at Waterbuck Hotel. During the meeting, the stakeholders present were able give their feedback on service provision.

Challenges

The cost of electricity was high due to the fact that over 90% of the water that the company supplies is from boreholes and pays an average of Kshs.21.7m per month to Kenya Power. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. Further, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. The company together with other water companies through Water Service Providers Association have applied to Kenya Power for a subsidized tariff which will reduce the cost of electricity

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The Company loses a lot of water currently at 30% through technical means arising from old and dilapidated water infrastructure. Most of the current water networks were built many years ago and requires over Kshs1 billion to replace. The National Government through Central Rift Valley Water Works Development Agency (CRVWDA) and development partners are addressing this issue.

The sewer coverage is currently low at 31% and it is very expensive for the company to finance through the normal tariff.

The Company is faced with the challenge of limited sources of water as the current water production is 40000M³ of water per day against the demand of over 75000M³ of water per a day due low funding. This is being addressed through other mechanisms that include partnerships with County Government, National Government and other Development Partners. However, the Ministry of Water, Sanitation has drilled and equipped 14No. of boreholes which are expected to bring more water into the system.

Future Plans

The company remains fully committed to the provision of affordable and quality water and sanitation services to its customers. The company will continue working with all the stakeholders towards the improvement of water and sanitation services so as to be leading water utility in the country.

Appreciation

I take this opportunity to thank the County Government, Shareholders, Board of Directors, Management, Staff, and other stakeholders for their mutual cooperation, and continued support.

Thank you and best wishes to you all.



JAMES N. GACHATHI
MANAGING DIRECTOR

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2021/2022

The Company has in place a 5year strategic plan 2018/2019-2022/2023 that outlines the approach and direction that it intends to take in order to improve its performance and service delivery. The plan provides an integrated picture of where the Company is going over during the five years' period and serves as a communication vehicle for conveying its direction. The strategic plan demonstrates the company's focus areas or pillars, objectives, projects and the allocation of resources in response to its key strategic challenges.

The company has 4 strategic pillars and 11 objectives within its Strategic Plan. The strategic pillars include:

Pillar 1: Water and sewerage infrastructure development

Pillar 2: Operational efficiency and customer service

Pillar 3: Financial Sustainability

Pillar 4: Institutional Capacity Strengthening

The company develops its annual work plans based on the above strategic pillars. Assessment of the company's performance against its annual work plan is done on a quarterly basis.

In order to achieve its objectives, the company cascades down the key performance indicators and sign contracts with the corporate management team. A review of the performance indicators is carried out by the Board on a quarterly basis and corrective measures are put in place to correct any variation.

The company's performance during the year against the set targets in its 4 strategic pillars is as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Water and sewerage infrastructure development	To supply enough water	Increase water production from 36600m ³ /day to 40,000m ³ /day	Ensure that all borehole pump-sets are operational and are at least 90% of their capacities at all times. Improve intake of surface water from current 3,000m ³ /day to 6,000m ³ /day.	A total of 31,513m ³ per/day was achieved. The shortfall was due to power failure, breakdown of pumps and reduction of bulk water supply by the supplier
	Increase water coverage from 95% to 98%	Increase the distribution network coverage from 541km to 650km(in	Identify the network, carry out survey and the designs. Procure materials and a contractor for	The network extension was increased by 13.9kms at Barnabas. This network project will improve access to water benefiting over 10,000 people

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
		Eastern, Southern and Western Zones)	network expansion	
Operational efficiency and customer service	Increase and maintain water supply hours from minimum 12 to at least 20 hours per day in all zones	Ensure water supply reliability does not fall below 18 hours per day at required pressures.	Maintain Service hours for distribution at 18 hours per day by producing enough water.	During the period the company achieved an average of 20hrs of supply per a day.
	Reduce Non-Revenue Water (NRW) to less than to a sector benchmark of 25%	Install master, zonal and consumer meters to monitor and track water flow and losses	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which are more efficient. Carry out night flow water measurement at selected areas	The company achieved 30%. This was done through the various measures which were put in place
	To improve water quality to meet Kenya Bureau Standards	Enhance the water quality Compliance rate for Water from current 98% to 100%	Enhanced monitoring to ensure that the quality of water is within 90% of World Health Organisation guidelines. Equip and maintain water laboratory to conduct daily tests.	The company achieved 98% against the required 100%. This was mainly due to turbidity levels in bulk water supplied by the bulk supplier.
	To continually strengthen the company's partnership with stakeholders	Enhance co-operation between the company and main stakeholders	Carry out a detailed stakeholder analysis. Ensure Continuous engagement with all the stakeholders. Develop standardized communication materials for	The company held a public/stakeholders meeting attended by Water Services Regulatory Board on 31 st May 2022. During the meeting the company was able to present to the stakeholders about the company's services, growth

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
			internal and external stakeholders	and expansion, successes and challenges. The stakeholders were also able to give their feedback
	To improve service provision in Low Income Areas (LIAs)	Enhance urban poor sanitation programmes for low income areas LIAs	Continue with the collaboration with development partners.	During the year the company through got funding from Water Sector Trust Fund, UNICEF and Water for improvement of water and sanitation services in the LIAs
Financial Sustainability	To enhance financial sustainability of the Company	Improve revenue collection from the current Kshs84M to Kshs88M per month.	Maintain the E-billing system. Market to customers the alternative modes of bills payments available. Carry out water meters calibration and replacement of faulty meters to ensure the appropriate amount of revenue is received for water supplied.	The Company achieved an average of Kshs84.9m per a month as the sources of water remained the same
		Maintain the collection efficiency at 100%	Enhance utilization of electronic payment system and open more pay points. Set targets for the debt collection unit and facilitate the team. Carry out customer sensitization and enforcement of disconnections.	The Company achieved a collection efficiency of 97% due to non payment by some customer whose incomes were affected by the covid-19 pandemic
		Maintain the metering ratio at 100%	Identify and meter all the un-metered customers.	The company achieved 100% due to the efforts which were put in place.

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
			Keep sufficient meters in the store.	
		Reduce Non-Revenue Water (NRW) to sector benchmark of 25%	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Carry out night flow water measurement at selected areas	The company undertook replacement of old meters and faulty meters with smart meters which have high accuracy levels. This reduced NRW from 31% to 30%.
Institutional Capacity Strengthening	Attract, develop, motivate and retain highly motivated and disciplined staff.	To improve staff productivity from 70% to 80%	Sign performance based contracts with staff aimed at improving performance. Carry out a training need assessment and implement the same.	This was done through the signing of contracts between the Board and Corporate Management Team and the same cascaded to every level of employees in the Company.
	Embrace emerging technologies and innovations to improve efficiency and effectiveness.	Adopt integrated technological systems	Maximize the utilization of the Enterprise Resource Planning (ERP) system. Identify other areas which require new technology Invest in security systems at all company facilities.	The Company utilized the ERP system to improve efficiency on the service delivery and the provision of timely reports for prompt decision making. The company brought on board other systems such as E.board, fleet management and installed a quick response (QR) codes system on all water meters to assist in meter reading
		Create a conducive environment for innovation and creativity	Each department to target one innovation during the year.	The company encouraged its employees to develop new ideas of improving service delivery. The company through the innovative ideas from the staff was able to install QR codes on all

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
				customer meters, and automated some of its boreholes. Solarization of baharini boreholes pumps was completed.
	Enhance Good Corporate Governance	Strengthen capacity of the Board of Directors on corporate governance and leadership.	Train the Board of Directors and Senior Management Team on Corporate governance and risk management. Carry out sensitization of Board of Directors on the code of ethics and conduct.	During the period under review, the Board of Directors were trained on corporate governance and leadership.



VII. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of NAWASSCO 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 relevant laws, internationally accepted principles and best practices in corporate governance including the Guidelines on Corporate Governance issued by the Regulator, WASREB.

The Corporate Governance of NAWASSCO 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 include: -

1. The Kenya Constitution 2010
2. The Water Act 2016
3. The Companies Act, 2015
4. The Public Financial Management Act 2012
5. The Public Financial Management Regulation 2015
6. The Public Procurement and Asset Disposal Act 2015 and 2020 regulations
7. Employment Act 2007
8. The NAWASSCO Service Charter
9. NAWASSCO approved policies and procedures

The Board of Directors

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

Roles and Functions of the Board

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 of Directors are responsible for the following: -

- (i) Implementation of Memorandum and Articles of Association
- (ii) Provision of guidelines and control function of the Company
- (iii) Approval of the organization structure and maintenance of staff terms and conditions of service
- (iv) Approval of company strategic plans, business plans and budgets

- (v) Provision of management guidelines
- (vi) Approval of major contracts/projects
- (vii) Approval of tariff adjustments
- (viii) Approval of annual reports and financial statements
- (ix) Prudent investment of funds to ensure continuity of services
- (x) Appointment of Corporate Management Team

Composition of the Board

The Board is composed of eight (8) non-executive Directors including an independent Chairman and one (1) executive director who is also the Managing Director and Board Secretary. The Directors represent various stake holding within its service area. They have a wide range of skills and experience and each contributes independent judgement and **knowledge to the Board's discussions.**

On appointment, each Director is provided with a comprehensive and tailored induction process covering the **Company's business operations and also provided with information** relating to their legal and regulatory obligations.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the **Company's Articles of Association.**

Board Meetings

The Board of Directors hold quarterly meetings as per the Company's Board calendar. The Chairman may at any time that may be deemed necessary call a special meeting where there are urgent matters requiring Board attention and/or resolution. The board meetings are governed by the same rules regarding meetings as are applicable to the Company. The Chairman in consultation with the Managing Director sets the agenda, date and time of the meeting with members receiving a fourteen (14) days written notice or such period that may be agreed on from time to time.

Meetings are held at the registered office of the Company. A quorum for meetings requires two-thirds of the total number of members. Members may appoint one of their own to preside over the meeting in the absence of the Chairman. Decisions are made unanimously or by majority votes of the members present. The Chairman has a casting vote in the event of a tie of votes. The board minutes are prepared and circulated two weeks after the meeting and the signed minutes are kept by the Board Secretary.

During the year under review the Board conducted nine (9) meetings.

Board Committees

The Board constituted three (3) sub-committees chaired by one director in each, namely; Finance and Staff, Technical and Social; and Audit and Governance. Each committee is required to meet four (4) times in one financial year. During the under review, the Finance

and Staff committee met six (6) times, Technical and Social committee met four (4) times while the Audit and Governance committee met 4 times.

The Board appoints other committees as and when necessary. During the year the Adhoc Committee met three (3) times.

The Board Charter

The company has in place a charter which was approved in April, 2018 and reviewed in June, 2021. The Board Charter guides the Full Board in its operations and also to set the boundaries for the work of the Board. It outlines the functions of the Board and its role in the achievement of the Company's strategic objectives.

The Charter is reviewed at least annually or from time to time when it is appropriate. This Charter is available to all members of the Board for application and to the stakeholders for information.

Appointment and Removal of the Board

The Board consists of nine (9) members as guided by clause 69 of the company Memorandum and Articles of Association. The directors represent a mix of skills and the requirement of gender parity. The board is headed by a board chair who is elected by the members.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association which states that a director shall be in office for a period of three (3) years but eligible for re-election for another period of three (3) years.

Board Succession Plan

In accordance with clause 69 of the company Memorandum and Articles of Association, all the Directors upon appointment except the Managing Director and representatives of the County Government are required to submit themselves for re-election for another term of Three (3) years after being in office for the first Three (3) years. However, if all the directors were appointed on the same date then a die shall be cast to determine the one to retire first.

Induction and Training of the Board

On appointment, Board members are taken through appropriate orientation program besides continuing capacity building on regulatory and market developments and periodic management briefs for effective discharge of their oversight duties. The induction programme provides the Board member with an orientation of the company, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The directors are also provided with information relating to their legal and regulatory obligations.

During the year the Board visited the company facilities and held training on corporate governance & leadership and risk management. They also reviewed the various company operating policies and procedures manuals

Board and Member Performance

The Board undertakes an annual review of its performance including that of its Committees within the provisions of its annual calendar of activities in guiding the Company to meet its mandate of providing water and sanitation services to the residents of Nakuru East and Nakuru West and its environs.

Conflict of Interest

The Board individually or collectively upholds ethical behavior and practice and expects any member with a direct and/or remote interest on a matter before it to, in good faith, excuse himself or herself from such deliberations including subsequent vote on such matter.

Board Remuneration

The Board of Directors are remunerated for their services in accordance with the prevailing relevant legislative provisions and/or as per the resolution of the shareholders during the Annual General Meeting. Each Director is also entitled to a medical cover over the tenure of directorship. The Chairman is in addition entitled to a fixed monthly honorarium and telephone allowance.

Board Ethics and Conduct

The Company adopts high ethical standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board of Directors adheres to good corporate governance by embracing the following principles:

1. Observe high standards of ethical and moral behaviour;
2. Act in the best interests of the organization;
3. Remunerate and promote staff fairly and responsibly;
4. Recognize the legitimate interests of all stakeholders; and
5. Ensure that the Company acts as a good corporate citizen.

The Directors are required to act in the best interest of the Company and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the Company over other interests. They act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency.

Board Governance Audit

The Board ensures that a governance audit of the Company is undertaken on an annual basis. The purpose of the governance audit is to ensure that the Company conforms to the highest standards of good governance.

The governance audit covers the following parameters among others:

- (a) Leadership and strategic management;

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- (b) Transparency and disclosure;
- (c) Compliance with Laws and Regulations;
- (d) Communication with stakeholders;
- (e) Board independence and governance;
- (f) Board systems and procedures;
- (g) Consistent shareholder and **stakeholders'** value enhancement; and
- (h) Corporate social responsibility and investment

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational and Financial Performance

Service Delivery

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

Target Description	Target	Actual	Comments
Water Coverage (%)	95	95	The target was maintained as the company had not established new water sources due to financial constraints. However, the Ministry of Water, Sanitation and Irrigation under the Covid-19 intervention measures drilled 14 No. of boreholes which will bring more water to increase the coverage.
Drinking Water Quality Standards (%)	100	98	The company maintained water quality of 98% against the required standard of 100%. This was mainly due to turbidity levels in bulk water supply from the contracted supplier. Samples taken from consumer points in the water supply system did not meet drinking water quality standards especially during the wet seasons.
Non-Revenue Water (NRW)%	25	30	This was not achieved due to the challenge of water losses in the water sector which was at 60% nationally and 30% at our company level with the acceptable level being at below 25%. The water losses occurred through technical and commercial ways. In the technical ways water was lost through leaks and bursts while in the commercial ways water was lost through illegal connections and meter tampering which the Company is addressing.
Hours of Supply (Hrs)	20	20	This was achieved due to the rationing programme during the period.
Metering Ratio (%)	100	100	This was achieved due to the efforts which the company put in place to achieve 100% metering ratio so as to stop billing on estimates.
Revenue Collection Efficiency (%)	100	100	This was achieved due to the efforts which company put in place to achieve 100% collection efficiency.

Financial Performance

During the year under review the company realized a total revenue of Kshs1.019b m compared to a Kshs1.015b during the previous financial year. The revenue did not improve much as the company did not have additional sources of water. However in the next financial the revenues shall improve due to 14No. of boreholes which have been drilled by the Ministry of Water, Sanitation and Irrigation.

Staff costs went up by Kshs6.8m due to increase in staff salaries while general and operating costs went down by Kshs17.5m due less provisions for debts write off

Maintenance costs went up by Kshs5.6m due to resumption of normal activities after the covid-19 pandemic and the measures which put in place fight non-revenue water

2. Key Projects / Investments Decisions Implemented or Ongoing.

i. Improvement in Information Technology Systems

During the year under review the company improved on information technology systems by installing an E-board system, a fleet and fuel management system and a quick response (QR) code system on customer meters and integrating all the systems to the existing Enterprise Resource Planning (ERP) system with the main objective bringing in efficiency in operations within the company. The ERP system has done away with distributed stand alone systems and silo processes within departments and unified them into one system with specific sub modules for each core department and live integration with our banking service providers and Mpesa.

The company aims to continually embrace relevant technological advancements that will complement the ERP system so to improve on efficiency.

ii. Water Network Extensions

The company did a network extension of 13.9kms at Barnabas and another 7.1kms in the low income areas. This network project will improve access to water benefiting over 10,000 people

iii. Smart Water Meters

The company continued with the installation of new customer smart ready meters which are more efficient with an aim of raising revenues and reduction of water losses. The company installed 3000 smart meters amounting to Kshs15.6 million.

iv. Motor Vehicles

The company purchased motor vehicle mounted with a sewer flushing unit which has greatly improved sanitation services in Nakuru town.

v. New Computers and Accessories

The Company procured new computers and other accessories which were required for the replacement of the old ones.

vi. Automation of Water Boreholes

The Company during year automation Baharini boreholes was completed at A cost of Kshs45m. This was aimed at reducing the cost of manning the pumps by staffs who could be redeployed to more productive areas.

vii. Replacement of Pumps and Motors

The Company replaced some of the old and inefficient pumps with the aim of increasing water production and reduction of maintenance costs. During the year the company replaced 13 broken pumps and motors amounting to Kshs23.4 million

viii. Re-location of Water and Sewerage Infrastructure

Due to the upgrading of the Rironi- Mau Summit Highway to a dual carriage way, Kenya National Highways Authority financed the re-location of water and sewerage infrastructure

along the highway under the jurisdiction of the company. This will improve the old dilapidated networks which is part of the contributors of NRW

3. Compliance with Statutory Requirements

The company is in compliant with the various statutory and legal requirements including: -

Salaries Deductions - The salaries and allowances were paid on time and remittances of statutory deductions to Pension Scheme, KRA, NSSF, NHIF and SACCOs were done on or before due dates. As a result, the company won a trophy from its Pension Administrator – CPF for timely remittance of pension contributions in the water sector.

VAT. - The Company being a VAT withholding Agent of KRA was able to remit and file monthly returns on time.

CORPORATION TAX – The tax return was promptly filed with KRA

NEMA – The requirements were complied with by obtaining the licenses for our sewerage treatment plants and regular monitoring through our ISO certified laboratory to ensure that the discharges to the environment meet the standards.

WASREB - Levies were remitted promptly.

WARMA - Water abstraction fee was paid promptly.

NITA - Industrial training levy was remitted on a monthly basis

However, an amount of Kshs5, 562,345.00 owed to National Social Security Fund has not been paid as it relates to the liabilities which were inherited from the defunct Municipal of Council of Nakuru in year 2004. The Company disputed the amount because we were informed that the debt had been settled during the time of Local Authorities Transfer Fund (LATF) and County Government of Nakuru is currently assisting the employees who are retiring to access their benefits.

4. Major Risks Facing the Organization

Various major risks are currently facing the company. These include: -

i. Water Bills Amount Owed by the County Government of Nakuru- Kshs26.2M

The County Government of Nakuru currently owed the company several months' water bills amounting to Kshs26.2m which they have not settled despite several meetings and reminders. This has caused a challenge to the company in meeting its financial obligations.

ii. Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN) -Kshs 215M

The former MCN owed the Company Kshs215m which led the company to face a lot of financial difficulties in settling debts which had accumulated. We were informed that the amount owed by the defunct MCN was handed over to the defunct Transitional Authority which is yet to be settled.

However, in July 2021 the team from the Office of the Auditor while carrying out the exercise of confirming pending payments owed by County Government was able to confirm the same.

iii. VAT Refund Claims Owed by Kenya Revenue Authority (KRA) - Kshs15M

The Kenya Revenue Authority (KRA) owes the Company VAT refund claims amounting to Kshs15m relating to period between the year 2015 and 2018 before water and sewerage services moved from VAT zero rated to VAT exempt. The company has made several follow ups but the amount is yet to be paid.

iv. High Kenya Power Monthly bills averaging Kshs21.7m per month

90% of the water that the company supply is from boreholes. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of 5 years. Further, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good.

v. Scarce Sources of Water

The Company is faced with the challenge of limited sources of water. The current water production capacity is 40,000m³ of water per day against a demand of 75,000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government.

The construction of the Itare Dam water project funded by the Italian Government was stopped 4 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town.

vi. Water Loss through Old and Dilapidated Water Infrastructure.

The Company loses a lot of water through technical means arising from old and dilapidated water infrastructure. The role of the company is limited to proper management and introduction of efficiency measures while the Central Rift Valley Water Works Development Agency (CRVWDA) and County Government is supposed to provide the water infrastructure. Most of the current water network was built many years ago and requires over Kshs1 billion to replace. This is the work of the National Government through Central Rift Valley Water Works Development Agency (CRVWDA) who is the asset developer. The company is only an agent who is provided with the assets to provide water and sanitation services.

vii. Un-Accounted for Water (UFW)- 30%

The water sector is faced with the challenge of water losses which is at 60% nationally and 30% at our company level with the acceptable level being at below 25%. This contributes to loss of revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and bursts while in the commercial ways water is lost through illegal connections and meter tampering which the Company is addressing.

viii. Low Sewerage Coverage - 31%

The company sewerage coverage was at 30% from 31% during the previous year due funding from the County Government and development partners. The coverage is still low and it is a great risk to the town residents as they may be faced with sanitation related diseases. However, through a project to be funded by KfW bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded. A consultant has been engaged to carryout preliminary designs and assist in the procurement of a contractor and supervise the works.

5. Material Arrears in Statutory and other Financial Obligations

i. Central Rift Valley Water Works Development Agency (CRVWWDA) Administrative Fees – Kshs 275.8M

The outstanding payment to CRVWWDA is as a result of the instructions which the Company received from the County Government of Nakuru in the year 2015 not to pay. The Company is waiting for the decision of the County Government on the way forward.

ii. Central Rift Valley Water Works Development Agency (CRVWWDA) Lease fees –Kshs151.1M

The amount relates to a loan which was acquired from African Development Bank (AfDB) by Central Rift Valley Water Works Development Agency (CRVWWDA) for the construction of the Ol Banita Well Field. According to the documents provided by CRVWWDA, the Government of Kenya acting through its Ministry of Finance in the year 2005 signed a loan agreement with CRVWWDA for financing of projects to improve water supply and sanitation services in its area of jurisdiction. The loan was from African Development Bank (AfDB) to the Government of Kenya for on-lending to the CRVWWDA.

The Principal loan amount was Kshs1, 367,823,916.00 at an interest rate of 2.5% p.a over a tenor of 30 years including a grace period of 5 years which after completion of the various projects in each Company's area of jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 which the Company is paying through CRVWWDA at Kshs39, 468,544.80 p.a.

iii. Former Ministry of Water & Natural Resources- Kshs. 168m

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned to the company by the Director of Water – Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443, 091,806 while the operational liabilities included amounts due to National Water Corporation Kshs.168, 490,370, KPLC Kshs. 45,108,015, Staff pension contributions to LAP Trust Kshs6, 145,100.00 and NSSF Kshs5, 562,345 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. The amounts owing to KPLC Kshs 45, 108,015 and LAP Trust Kshs 6, 145,100 have since been paid.

The company through the Central Rift Valley Water Works Development Agency (CRVWWDA) is negotiating with the Ministry of Water and Sanitation, Ministry of National Treasury and Water Conservation and Pipeline Corporation to write off the liability of Kshs168, 490,370 because the majority of the customer arrears which were inherited turned out to be unrecoverable.

iv. National Social Security Fund- Kshs5.5m

As explained in No. 5(iii) above, this is part of the liabilities which were inherited from the defunct Municipal of Council of Nakuru (MCN) in the year 2004 and it is under dispute because we were informed that the debt was settled by the defunct MCN during the time of Local Authorities Transfer Fund (LATF) and the County Government of Nakuru is assisting the employees who are retiring to access their benefits.

The above payment arrears were caused by various challenges facing the company. These include: -

a) Water Bills Amount Owed by the County Government of Nakuru- Kshs26.2M

The County Government currently owes the company Kshs26.2m which they had not settled despite several meetings and reminders. We are hoping that the County Government will soon settle their water bills arrears for the smooth running of operations.

b) Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN)- Kshs215m

The former MCN owed the Company Kshs215m which they refused to pay but continued demanding for services which led the company face a lot of financial difficulties in settling its debts which continued to accumulate. The company was forced to settle some of the urgent debts which included employee pension deductions thus affecting the settlement of the outstanding debts.

We were informed that the amount owed by the defunct MCN was transferred to the County Government of Nakuru and handed over to the defunct Transitional Authority who also handed it over to the National Government which is yet to pay.

However, in July, 2021 the team from the Office of the Auditor while carrying out the exercise of confirming pending payments owed by County Government was able to confirm the same.

c) VAT Refund Claims Amount Owed by Kenya Revenue Authority (KRA) –Kshs15m

The water and sanitation services were previously charged VAT at zero rate (0%) and the company was entitled to claim VAT input which the Kenya Revenue Authority (KRA) stopped refunding in February, 2015 due to the misinterpretation of the treatment in VAT Act (Cap 469) arising from sewer services.

The company got a favorable interpretation of the VAT Act but water and sewerage services moved from VAT zero rated to VAT exempt. In 2018 the refunds started being settled with a balance of Kshs15m remaining as at 30th June, 2022 despite several follow ups.

6. Review of the Kenyan Economy

In line with the strategies outlined under Vision 2030, the Government has been implementing the “Big Four” Agenda over the past three years. The Agenda is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution. Actualization of policies and programmes under each pillar is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society.

During the period, the Company continued with the provision of water and sanitation services which are among the basic necessities of human life

7. Review of the Sector

The Kenyan vision 2030 goal on water and sanitation under the social pillar is access to water and sanitation services for all by 2030. Kenya is water scarce country and thus the achievement of this goal may not be achieved if resources are not set aside for development and expansion of the sector.

Water is perceived as a social good which should be provided for free thus affecting the willingness to pay for water services.

The other main issues in Kenya water sector are around the quality of water, continuity of water supply and waste water management.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Company exists to transform lives through the provision of water and sanitation services. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on 5 pillars: putting the customer/citizens first, delivering relevant goods and services, improving the welfare of its employees, conserving the environment and improving operational excellence.

Below are the company achievements for each pillar during the period under review:-

1. Sustainability Strategy and Profile

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.

During the year under review, the Company's financial activities were undertaken with reference to the following guidelines and policies:

- 1) Directors and staff code of conduct
- 2) Public officers ethics
- 3) Public Procurement and Assets Disposal Act 2015 and 2020 Regulations
- 4) Public Finance Management Act 2012 and 2015 Regulations

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

The company has in place a 5-year plan which guided of the activities which were to be carried out and the revenues to be generated. The company was able to able meet all its financial obligations which enabled the operations to continue.

2. Environmental Performance

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 participated in the conservation of the environment by planting trees. During the year, the company continued the drive for environmental conservation by planting trees at the Aberdares which is one of the water catchment areas. I

The Company also ensured that discharge to Lake Nakuru National Park met the required standards by conducting regular tests through its laboratory which is ISO certified.

The Company supported initiatives that minimize its impact on the environment and helped create a sustainable community by working closely with National Environment Management Authority (NEMA) and various County departments such as the Environment and Public Health to enhance and protect the environment around us. The Company through its subsidiary company NAWASSCOAL, developed briquettes (charcoal) called Makaa.com from human waste (faecal matter). Faecal matter (human waste) is an invaluable resource that

can be harnessed for economic, health and environmental development which also shows that sanitation related challenges can be solved by using market based approaches that ensures sustainability.

3. Employee Welfare

The Company is committed to being a good employer, and contributes positively to the creation of employment in the Country and Nakuru 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 offers competitive terms and conditions of service to its employees. The Company has in place two retirement benefits schemes (LAP Trust and NSSF) for its staff which provides earnings during the retirement period. In addition, the Company has a medical and accident cover for its staff.

The Company 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. During the year, the Company put in place many ways to contribute positive changes to its employees including on-job trainings, participation at the water companies games and sports and bench marking sessions that develop the employees **and ensure that the company's vision is achieved.**

During the reporting period, employees were able to undergo various trainings and workshops. **This did not only enhance the company's technological and operational growth but also enriched employee's technological growth.**

4. Market Place Practices

The company puts in place a lot of measures to ensure customer 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 carried out a customer satisfaction survey whose general purpose was to assess how satisfied your customers are with different aspects of our product/service. Identifying unhappy customers is as important as identifying extremely happy ones. The exercise is conducted in the month of May 2022 and the Customer Satisfaction Index was at 72.1%.

On Persons Living with Disability all company stations are fixed with detachable rumps for ease of entry for persons confined to wheel chairs. A desk offering special services to persons living with disability is in place at the head office. In addition, one special toilet for persons living with disability is in place at the head office.

The Company is committed to service delivery to its customers by creating a customer friendly environment. This was done by use of customer voice and choice system which records all customer complaints by assigning a ticket number for provision of feedback once the complaints are resolved.

During the year the company continued serving its customers by paying their water bills from the nearest points such banks and their agents (Co-operative, Family & Equity), Mpesa and Posta.

5. Corporate Social Responsibility /Community Engagement

During the year the Company ensured that water was available and was distributed equitably to all the customers and that the sewer systems were maintained.

The Company conducted a customer service week on 4th to 8th October, 2021. This is an annual World event that takes place every 1st week of October each year. The week generally appreciates customers and their support to the company. The event was marked in NAWASSCO by visiting and awarding the customers in the various zones with branded merchandise. The events were also captured on NAWASSCO's twitter page under the hash tag – ***"#The Power of Service"***.

The Company participated in the global hand washing which took place on 15th October, 2021. This is a day that commemorates efforts in hand washing especially in the era of the Covid-19 pandemic. The celebrations were observed at Mercy Njeri Primary School and the theme for Global Hand washing Day was: ***'Our Future is at Hand – Let's Move forward'***.

The **stakeholders breakfast forum** was held at Waterbuck Hotel on 31st May 2022. The breakfast was themed: ***'Enhancing effective stakeholder's engagement for sustainable water and sanitation solutions'***. The meeting was attended by Customers, Stakeholders, Partners, Board of Directors, management and Staff. During the meeting, the stakeholders present were able to give their feedback on service provision and the Board of Directors and management also responded to the various issues raised.

Through maximizing access to safe drinking water, especially for vulnerable communities – Low Income Areas, the company was able to maintain where possible, water service continuity, proper treatment and accessibility for all. In the Low Income Areas, the water points were increased through several water kiosks that provided water at a subsidized rate of Kshs2.00 per litre.

X. REPORT OF THE DIRECTORS

The Board of Directors submit Report together with the Financial Statements for the year ended 30th June, 2022 which shows the state of the Company's trading affairs and financial position.

Principal Activities

The principal activities of the company are the provision water and sanitation services.

Results

The results of the Company for the Year ended 30th June, 2022 are set out on page 1 to 37. The net profit for the period of **Kshs9,439,409**. which has been added to retained earnings.

Dividend

The Board of Directors did not declare any dividends for the year ended 30th June, 2022.

Directors

The members of the Board of Directors who served during the year and to the date of this report are shown on page vi to ix. In accordance with regulations of the Company Memorandum and Articles of Association, Directors serve for a term not exceeding three (3) years' renewable for another one term.

Auditors

The Auditor General is responsible for statutory audit of Nakuru Water and Sanitation Services Company Ltd in accordance with article 229 of the constitution of Kenya and Public Audit Act 2015,

By order of the Board

JAMES N. GACHATHI

SECRETARY TO THE BOARD



Dated

23/9

2022

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and Section 638 of The Kenyan Companies Act, 2015 require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company as at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the Company's financial statements which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2022. This responsibilities includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintain proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances

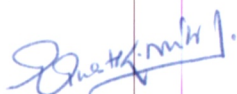
The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards (IFRS), the manner required by the Public Financial Management Act, 2012, the Water Act, 2016 and the Kenyan Companies Act, 2015..

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

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

Approval of the financial statements

The company's financial statements were approved by the Board on 12th September 2022 and signed on its behalf by:



ERNEST K. MUIBU
CHAIRMAN, BOARD OF DIRECTORS



JAMES N. GACHATHI
MANAGING DIRECTOR

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Water and Sanitation Services Company Limited set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

Report of the Auditor-General on Nakuru Water and Sanitation Services Company Limited for the year ended 30 June, 2022

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 Nakuru Water and Sanitation Services Company Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Comparative Balances

The statement of profit or loss and other comprehensive income reflects comparative balances which differ with the audited balances for the year ended 30 June, 2021 as indicated in appendix 1.

In the circumstances, comparative balances reflected in the statement of profit or loss and other comprehensive income could not be confirmed.

2. Unaccounted for Water Inventory

The statement of financial position reflects inventories balance of Kshs.47,177,617. However, the balance excludes the water inventories held in the storage facilities as at the close of the financial year.

In the circumstances, the accuracy and fair statement of inventories balances of Kshs.47,177,617 as at 30 June, 2022 could not be confirmed.

3. Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables balance of Kshs.650,036,773. The following inconsistencies were however noted:-

- i. Included in the balance is Kshs.310,671,185 owed by nine thousand, three hundred and thirty-nine (9,339) customers whose water accounts have been terminated or remained dormant for a period exceeding six months. However, no provisions have been made for the likely impairment. Further, Management has not demonstrated the measures taken including legal action to enforce collection of the debts.
- ii. The balance also includes amount of Kshs.241,883,014 owed by County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, Kshs.215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and remained outstanding since its takeover in 2013. There was no evidence of steps being taken by the Company to recover provided for audit verification. Further, records maintained at the County Government do not reflect any pending bills payable to the Company.

- iii. The balance also includes staff debtors of Kshs.3,219,256 in respect of fuel lost through fraud during the period of September to November, 2020. Although disciplinary action had been taken against the involved officers, management of the Company had not commenced recovery of the amount.
- iv. The balances also includes an amount loaned to NAWASSCOAL Company Limited, a subsidiary Company of Kshs.17,477,375 which is unsupported by way of loan agreement or repayment plan.

In the circumstances, the accuracy and fair statement of trade and other receivables amount of Kshs.650,036,773 as at 30 June, 2022 could not be confirmed.

4. Undisclosed Loan from African Development Bank (AfDB)

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.560,114,800 which includes an amount of Kshs.39,468,545 in respect of lease fees to Central Rift Valley Water Works Development Agency (CRVWDA). As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Works Development Agency (RWVWDA) in 2014. Although the company continues to service it, the outstanding loan balance is not reported on the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act No.17 of 2015 which requires accounting records of the Company to contain day-to-day entries of all amounts of money received and spent.

In the circumstances, the accuracy and fair statement of the liabilities in respect of the undisclosed African Development Bank (AfDB) and which the Company is servicing could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Performance and Control

The statement of comparison of budget and actual amounts reflects an final budget revenue and actual on comparable basis of Kshs.1,231,855,528 and Kshs.1,019,336,191 respectively resulting to revenue shortfall of Kshs.212,519,337 or (17%) of the budget. In addition, out of the actual revenue of Kshs.1,019,336,191, actual expenditure was Kshs.1,132,638,266 resulting to unexplained over expenditure of Kshs.113,302,075 or (11%).

The revenue shortfall may have impacted negatively on service delivery to the residents of Nakuru Town and the lawfulness of over expenditure could not be confirmed.

2. Unresolved Prior Year Matters

During the period under review, various prior year audit issues remained unresolved. Management has not provided reasons for the delay in resolving the prior year audit issues. This is contrary to the requirements of the Public Sector Accounting Standards Board reporting guidelines.

In the circumstances, Management has not compiled with the reporting template.

Other Information

The Directors are responsible for the other information, which comprises the chairman's report, directors' report, the statement of corporate governance, management discussions and analysis, statement of environmental and sustainability reporting statement and the report of the directors'. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

The statement of profit and loss and other comprehensive income reflects water sales of Kshs.610,398,389 as disclosed in Note 6 to the financial statements. Available records indicate that the Company produced 11,502,201 cubic meters of water out of which, 8,021,159 cubic meters or 70% were billed to consumers resulting to 3,481,042 cubic meters or approximately 30% of the production as Non-Revenue Water (NRW) at an estimated value of Kshs.162,564,638. The Non-Revenue Water exceeded the set threshold of 25% approved by the Water Services Regulatory Board (WASREB) guidelines. No explanations have been rendered for the high NRW and measures being put in place to resolve the loss in revenue.

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

2. Relocation of Water and Sewerage Infrastructure Project

The Company entered into a contract with a local contractor to relocate water and sewerage infrastructure at a contract price of Kshs.642,546,934 funded by Kenya National Highways Authority (KENHA) with effect from 03 May 2022 and completion date of 03 August 2022 to pave way for construction of Nairobi- Nakuru- Mau Summit Highway. An extension of time was given and a new completion date was set for 31 December, 2022. As at the time of audit the certified works were valued at Kshs.642,179,965 against actual payments of Kshs.444,521,342 resulting to outstanding balance of Kshs.198,359,641. However, available records indicated that KENHA, the project's financier and state agency in charge of roads construction suspended the construction of the road project in December 2022 without any communication or directives on the relocation process.

In the circumstances, value for money on water infrastructure payments of Kshs.444,521,342 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Consumer Billings Without Serialized Water Meters

Records provided for the audit revealed that four thousand-three hundred and fifty-four (4,354) water customers had meters without serial numbers in the billing system. This inhibited the ease of identification and accountability. Although income of Kshs.159,956,0556 was realized from the affected accounts, the individual serialized meter numbers are not captured in the Company assets records or billing system.

In the circumstances, lack of documented water meters, distribution and sale system may result in loss of revenue.

2. Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.565,077,386 Included in the balance is Kshs.275,796,820 owed to Central Rift

Water Works Development Agency (CRWWDA) on account of administrative fees payable that has accrued since the year 2013 due to instructions not to pay issued by the County Government of Nakuru. No explanation has been provided or evidence of steps taken by the Company to resolve the matter.

In the circumstances, The Company is exposed to risks of loss of funds through interest and penalties arising from litigations instituted by the creditors for failure to settle amounts owed to suppliers.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for the matters under the Basis for Qualified Opinion and Conclusion on Effectiveness of Internal Controls, Risk Management and Overall Governance sections of my report, I report based on the audit, that:

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 April, 2023

APPENDIX 1

Variations in Comparative Balances Reflected in the Statement of Profit or Loss and Other Comprehensive Income

Particulars	Note	Financial Statement (Kshs.)	Audited Balances (Kshs.)	Variance (Kshs.)
Sewerage Charges	6	318,084,729	316,084,729	2,000,000
Gross Salary and Allowances	10	227,317,821	237,883,383	10,565,562
Provision for Leave Pay	10	2,834,172	-	2,834,172
Gratuity Provisions	10	7,731,390	-	7,731,390
Chemicals	11	6,290,334	6,028,908	261,426
Electricity	11	229,281,971	228,517,992	763,979
Office Supplies	11	4,591,684	-	4,591,684
Uniform and Protective Clothing	11	2,234,742	-	2,234,742
Telecommunication	11	5,191,448	-	5,191,448
Rent and Rates	11	627,180	600,000	27,180
Subscriptions	11	1,043,723	-	1,043,723
Onsite Sanitation	11	7,693,830	-	7,693,830
Occupational Health	11	5,106,000	-	5,106,000
Staff Training and Development	11	353,430	1,397,153	1,043,723
Bank Charges	11	4,799,769	-	4,799,769
Medical Cover	11	6,998,430	12,104,430	5,106,000
Publicity and Advertising	11	6,775,316	-	6,775,316
Audit Fees	11	1,519,480	-	1,519,480
Legal Fees	11	6,208,068	-	6,208,068
Consultancy Fees	11	3,970,092	-	3,970,092
Licensing and Levies	11	44,542,684	-	44,542,684
Sports and Recreation	11	1,150,000	-	1,150,000
Conference Expenses	11	1,932,620	-	1,932,620
Donations/CSR	11	93,714	-	93,714
Hospitality Expenses	11	1,781,663	-	1,781,663
Literature and Periodicals	11	113,540	-	113,540
Sewerage Disposal Fees	11	210,000	-	210,000

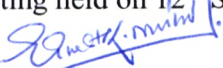
**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30TH JUNE 2022**

	NOTE	2021/2022	2020/2021
		(KSHS)	(KSHS)
Revenue			
Operating Revenue	6	941,785,109	937,878,717
Grants Income	7	57,588,883	59,413,269
Other Income	8	1,891,639	1,790,198
Finance income	9	18,070,560	16,862,032
Total Revenue		1,019,336,191	1,015,944,216
Expenses			
Staff Costs	10	275,941,019	269,104,096
General and Operations expenses	11	560,114,800	577,558,179
Board Expenses	12	11,102,300	11,875,415
Maintenance Expenses	13	69,724,359	64,155,707
Depreciation and Amortization expenses	14	79,763,882	53,368,634
Total Expenses		996,646,360	976,062,030
Profit/(Loss) Before Taxation		22,689,831	39,882,187
Income Tax Expense/(Credit)	15(a)	13,250,422	10,819,857
Profit/(Loss) After Taxation		9,439,409	29,062,329


XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	NOTE	2021/2022	2020/2021
		(KSHS)	(KSHS)
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	672,970,799	163,494,185
Intangible assets (software WIP)	17	29,201,795	29,846,528
Leasehold land and buildings	18(a)	108,824,208	113,820,467
Investment in NAWASCOAL	19	100,000	100,000
Total Non-Current Assets		811,096,802	307,261,179
Current Assets			
Inventories	20	47,177,617	21,924,416
Trade and other receivables	21(a)	650,036,773	714,643,719
Short Term Deposits	22	210,000,000	210,000,000
Bank and cash equivalent	23	148,976,537	213,546,574
Total Current Assets		1,056,190,927	1,160,114,709
TOTAL ASSETS		1,867,287,728	1,467,375,888
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Ordinary share capital	24	100,000	100,000
Revaluation Reserve	18(b)	32,980,405	34,240,647
General Reserve	25(a)	262,893,992	262,893,992
Retained Earnings		169,570,568	160,131,160
Total Share Capital and Reserves		465,544,965	457,365,799
Non-Current Liabilities			
Non-Current accounts payable	25(b)	174,152,715	174,152,715
Deferred Income	26(i-vi)	509,877,661	76,240,117
Total Non-Current Liabilities		684,030,376	250,392,892
Current Liabilities			
Trade and other payables	27	565,077,386	751,029,339
Provisions	28	7,475,052	
Customer Accounts Deposits	29	137,371,633	
Income Tax payable	15 (b)	7,787,316	8,587,857
Total Current Liabilities		717,712,387	759,617,197
TOTAL EQUITY AND LIABILITIES		1,867,287,728	1,467,375,888

The Financial Statements on pages 1 to 37 were approved by the Board of Directors during a meeting held on 12th September 2022 and signed on its behalf by: -


ERNEST K. MUIBU
Chairman


JAMES N. GACHATHI
Managing Director


ISAAC M. MAKORI
Finance Manager M/ No. 6774

Dated 23/9 2022

Dated 23/9 2022

Dated 23/09 2022

**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE
 2022**

	NOTE	ORDINARY SHARE CAPITAL	RESERVES (KSHS)	ACCUMULATE PROFIT/LOSS (KSHS)	TOTAL (KSHS)
At July 1, 2020		100,000	298,352,875	131,068,829	429,524,704
Amortisation on revaluation	18(b)	-	(1,218,234)	-	(1,218,234)
Total comprehensive income			-	<u>29,062,330</u>	<u>29,062,300</u>
At June 30, 2021		100,000	297,134,641	160,131,159	457,365,800
At July 1, 2021		100,000	297,134,641	160,131,159	457,365,800
Amortisation on revaluation	18(b)	-	(1,260,242)	-	(1,260,242)
Total comprehensive income			-	<u>9,439,409</u>	<u>9,439,409</u>
At June 30, 2022		100,000	295,874,399	169,570,568	465,544,965

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

	NOTE	2021/2022	2020/2021
		KSHS	KSHS
CASH GENERATED FROM OPERATING ACTIVITIES			
Profit/loss after income tax		9,439,409	29,062,330
Adjustments for:			
Depreciation on plant property and equipment	16	61,124,952	34,855,204
Amortization of intangible asset	17	14,902,913	14,901,947
Amortization of land and buildings	18	3,736,017	3,611,483
Changes in working capital			
Increase in Inventories	20	(25,253,201)	7,408,892
Decrease in Receivables and Prepayments	21	64,606,946	116,378,860
Decrease in Payable and accrued expenses	27	(48,443,799)	
Increase in Provisions	28	765,870	(13,982,839)
Increase in Customer Deposit	29	6,573,661	
Income Tax payable	15 (b)	(800,541)	8,587,857
Net cash generated from/(used in) operating activities		86,652,226	200,823,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(580,513,248)	(69,773,878)
Purchase of grant property, plant and equipment	16	(22,811,066)	(55,230,913)
Purchase of ERP Software	17	(14,258,180)	(14,460,266)
Maturity of Fixed bank deposit	22	160,000,000	160,000,000
Investment in Fixed bank deposit	22	(210,000,000)	(160,000,000)
Re-call of Call deposit/Investment in call deposit	22	50,000,000	(50,000,000)
Net cash generated from/(used) in investing activities		(617,582,494)	(189,465,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants from WSTF	26(i)	-	10,255,400
Grants from Vitens	26(iii)	-	45,428,403
Grants from UNICEF	26(v)	17,270,090	9,802,510
Grants from KEHNA	26(vi)	449,090,141	-
Net cash generated from/(used in) financing activities		466,360,231	65,486,313
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(64,570,037)	76,845,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		213,546,574	136,701,544
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		148,976,537	213,546,574

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE
YEAR ENDED 30TH JUNE 2022**

	Original Budget	Adjustment	Final Budget	Actual on comparable basis	Performance Difference		Explanation of Variances
Revenue	2021/2022	2021/2022	2021/2022	2021/2022	(Kshs)	%	
Operating Revenue	1,042,141,971	113,724,674	1,155,866,645	941,785,109	(214,081,536)	(18.5)	The variance was due to delay in the commissioning of the new boreholes drilled by the Ministry of Water, Sanitation and irrigation
Non-Operating Revenue	2,000,000	-	2,000,000	1,891,639	(108,361)	(5.4)	
Grants	57,588,883	-	57,588,883	57,588,883	-	-	
Finance Income	16,400,000	-	16,400,000	18,070,560	1,270,902	7.7	The increase was due the conversion of call deposit at 5% interest to a Fixed Deposit at interest of 8.25%.
Total Revenue	1,118,130,854	113,724,674	1,231,855,528	1,019,336,191	(212,918,995)	(17.3)	
Expenses							
Staff Costs	308,703,295	-	308,703,295	275,941,019	32,762,276	11.9	The underutilization was due delay in recruitment of staff budgeted for .

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Board Expenses	12,000,000	-	12,000,000	11,102,300	897,700	8.1	The underutilization was due few meeting held than budgeted for .
General and operations Expenses	528,036,952	57,825,678	585,862,630	560,114,800	25,747,830	4.6	The marginal underutilization was due under expenditure in some votes.
Maintenance	63,669,594	10,000,000	73,669,594	69,724,359	3,945,234	5.7	The marginal underutilization was due under expenditure in some votes.
Depreciation and amortization	-	-	-	79,763,882	(79,763,882)	(100)	
Total Recurrent Expenditure	912,409,841	67,825,678	980,235,519	996,646,360	(16,410,8841)	(1.6)	Underspending on chemicals was due to less amount of water abstracted from river sources which requires a lot of cleaning.
Profit/(Loss) Before Taxation	205,721,014	45,898,996	251,620,010	22,347,505	(196,108,496)	(864.3)	
Income Tax expense	12,000,000	-	12,000,000	13,250,422	(1,250,422)	(10.4)	
Profit /Loss after Taxation	193,721,014	45,898,996	239,620,010	9,439,409	(194,858,074)	(854)	
Capital Expenditure	87,400,000	64,800,000	152,200,000	135,991,906	16,208,094	10.6	The underutilization was due delay in solalization of Kabatini boreholes.

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Total Expenditure	999,809,841	132,625,678	1,132,435,519	1,132,638,266	(202,747)	(0.02)	

The variances between actual and budget have been explained on each budget Line item.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) was established under the Companies Act, 2015 on 8th September 2003 and it is fully owned by the County Government of Nakuru. At the County level, the Company is represented by the County Executive Member for water and sanitation and the County Executive Member for finance & Economic Planning, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru Town East and Nakuru town West Sub-counties and its environs.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(i) Statement of compliance

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 actual determined liabilities at their present value. The preparation of financial statements is in conformity with International Financial Reporting Standards (IFRS) that allows the use of estimates and assumptions. It also requires management to **exercise judgement in the process of applying the company's accounting policies.**

(ii) Basis of preparation

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 Public Finance Management Act 2012, Companies Act 2015, Water Act 2016 and International Financial Reporting Standards (IFRS).

(iii) Separate Financial Statements

The Company, and its subsidiary Company, NAWASSCOAL Company Ltd prepared separate financial statements.

The Company is wholly owned (100%) by the County Government of Nakuru and it wholly owns (100%) shareholding in the subsidiary Company, NAWASSCOAL.

In the preparation of the financial statements, the Directors of NAWASSCO were of the opinion that the two companies should prepare separate financial statements because of the following reasons: -

- a. NAWASSCO is a wholly owned company of the County Government of Nakuru meaning the County Government has a direct 100% interest in the subsidiary Company, NAWASSCOAL.
- b. The nature of business for the two companies is different. NAWASSCO is a water and sanitation services provider with a cost recovery objective whereas NAWASSCOAL is a manufacturing and trading Company with a profit making objective.
- c. NAWASSCOAL Company's initial assets were funded by grants from donors. However, NAWASSCO has advanced it with a loan of Kshs17,741,406.

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) Relevant new standards and amendments to published standards effective for the year ended 30th June 2022

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

Title	Description	Effective Date	Status
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The company is not affected by this IFRS.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted	The company is not affected by this IFRS.
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The company is not affected by this IFRS.

Title	Description	Effective Date	Status
	components of equity.		
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted	The company is not affected by this IFRS.
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, and has addressed them under the status column.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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Title	Description	Effective Date
	to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early

Title	Description	Effective Date
	entities distinguish changes in accounting policies from changes in accounting estimates.	adoption is permitted.

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

iii) Early adoption of standards

The company did not early – adopt any new or amended standards in the financial year ended 30 June 2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to 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 water and sewerage charges** represents amounts actually billed to customers for water consumption and sewerage.
- ii) **Grants from National and County Governments** are recognized in the year in which the NAWASSCO 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 realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **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, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

Motor vehicles and equipment are stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of assets to their residual values over their estimated useful lives, as follows: -

No	Leasehold Land and Buildings	Over the remaining period of the lease	Rate (%)
i.	Pumps and Motors	5 years	20
ii.	Motor Vehicles and Cycles	4 years	25
iii.	Furniture, Fittings and Office Equipment	8 years	12.5
iv.	Computers	3 years	33.33
v.	Water Meters	7 years	14.28
vi.	Prepaid Water Meter	5 years	20
vii.	Office Block	50 years	-
viii.	Software	3 years	33.33
ix.	Electric fence	8 years	12.5

x.	Network extensions	5 years	20
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate; at each balance sheet date Motor vehicles and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units).

Gains and losses on disposal of motor vehicles and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

h) Fixed Deposit investments

Fixed interest investments refer to investment funds placed under Commercial banks for long-term or short term with the intention of earning interest income upon the maturity. Fixed interest accounted through profit or loss.

i) Inventories

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

j) 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.

k) Taxation

Current income tax

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

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

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public

officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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 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.

n) Trade and other payables

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

o) Retirement benefit obligations

The Company operates a defined pension scheme for all full-time employees. The scheme is administered by Lap trust where employees contribute 12% of their gross pay and the Company contributes 15% of same. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the company and employees. The company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. **The company's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.**

p) 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.

q) Budget information

The budget for financial year 2021/22 was approved by the Board of Director and on 5th May 2021 it was subsequently submitted to the County Government.

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

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

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

r) Subsequent events

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

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

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the current financial year, no adjustments were done.

a) Estimates and assumptions

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

b) Comparative figures

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

c) Useful lives and residual values

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

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

d) Provisions

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

6. SALES / TURNOVER

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Water charges	610,398,389	619,793,988
Sewerage charges	355,639,672	318,084,729
Total	941,785,109	937,878,717

Other sales that relate to customer's water and sewer connections have been included in the water and sewer charges after adopting the Enterprise Resource Planning (ERP). The Company accounted for 30 % (32.0 % 2020/21) of the water produced. The 30 % loss is due to technical and commercial losses.

7. GRANTS INCOME

	2021/2022	2019/2020
	(KSHS)	(KSHS)
Chemicals from JICA	12,363,076	2,757,300
Chemical grants from WSTF	-	2,237,371
Support for stakeholders meeting from cooperative bank and Madison insurance	100,000	-
Community health and hygiene support from UNICEF	-	4,413,720
Operations & Maintenance (O & M) support grant from WSTF	45,125,807	50,004,878
Total	57,588,883	59,413,269

8. OTHER INCOME

	2021/2022	2020/2021
	(KSHS)	(KSHS)
House rent	225,300	269,800
Laboratory services	799,470	687,329
Education visit , Bill board	180,000	-
Empty chemical container sale	8,000	500
Payroll Recoveries	5,000	16,200
Insurance compensation	-	142,500
Interest on NAWASSCOAL Loan	673,869	673,869
Total	1,891,639	1,790,198

9. FINANCE INCOME

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Interest on fixed deposit	18,070,560	16,862,032
TOTAL	18,070,560	16,862,032

The interest on fixed and call deposits has been separated from the other incomes.

10. STAFF COSTS

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Gross Salary and Allowances	240,746,467	237,883,383
Casual workers' Wages	1,584,469	7,171,157
Employer's contributions to social security schemes	432,400	467,800
Employer's contributions to pension scheme	23,548,604	23,581,756
Gratuity paid	8,387,918	
Increase in provisions for Leave pay	400,414	-
Increase in Gratuity provision	365,455	-
Terminal dues paid	421,692	
Employer's contributions to NHIF	53,600	-
Total	275,941,019	269,104,096
The average number of employees during the year	175	188

11. GENERAL AND OPERATIONS EXPENSES

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Chemicals cost of sales	6,452,525	6,028,908
Lab Chemicals		261,426
Electricity general	261,259,459	763,979
Electricity cost of sales		228,517,992
Fuel, oil, lubricants, and gases	7,857,111	7,938,437
Bulk water Costs	58,175,626	54,632,211
Office supplies	6,021,960	4,591,684
Uniform and protective clothing	2,272,005	2,234,742
Telecommunication	4,014,406	5,191,448
Postage and courier	2,304,060	680,726
CRVWWDA lease fees	39,468,545	39,468,545
Insurance	3,557,536	3,642,186
Rent and Rates	627,180	627,180
Onsite sanitation	7,037,390	7,693,830
Domestic Traveling and subsistence	28,101,443	15,281,949
Staff training and development and subscriptions	7,137,321	1,397,153
Bank Charges	4,284,593	4,799,769
Security services	17,679,145	16,180,000

Medical Cover and Occupational Health	12,001,049	12,104,430
Publicity and advertising	5,743,458	6,775,316
Audit fees	382,500	1,519,480
Legal fees	8,496,276	6,208,068
Consultancy fees	9,066,973	3,970,092
Licensing and levies	47,728,674	44,542,684
Sports and recreation	5,119,450	1,150,000
Conference expenses	6,567,168	1,932,620
Donations/CSR	-	93,714
Hospitality expenses	1,944,395	1,781,663
Printing and Stationery	5,089,636	2,883,824
Literature & periodicals	760,406	113,540
Bad debts written off	964,510	94,340,582
Sewerage disposal fees	=	210,000
Total	560,114,800	577,558,179

The CRVWWDA loan repayment amount of Kshs.39, 468,544.80 relates to servicing of a principal loan of Kshs994, 706,658.00 which RVWSB/CRVWWDA took from African Development for the construction of Olbanita water project which the company is using to produce water.

12. BOARD EXPENSES

	2021/2022 (KSHS)	2020/2021 (KSHS)
Chairman Honoraria	942,864	942,864
Sitting allowances	8,085,000	9,520,000
Travel and accommodation	1,161,316	887,251
B.O.D Hospitality	913,120	525,300
Total Board Expenses	11,102,300	11,875,415

13. MAINTENANCE EXPENSES

	2021/2022 (KSHS)	2020/2021 (KSHS)
Plant and Equipment	16,061,474	13,390,890
Buildings	4,750,892	11,563,808
Infrastructural networks	35,108,128	24,304,129
Motor vehicles	5,565,319	5,980,240
Software	7,374,311	7,620,560
ICT	211,151	554,750
Furniture	653,084	741,330
Total Maintenance Expenses	69,724,359	64,155,707

14. DEPRECIATION AND AMORTIZATION

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Property, plant, and equipment	64,860,969	38,466,687
Intangible assets	14,902,913	14,901,947
Total Depreciation and Amortization	79,763,882	53,368,634

15. (a) INCOME TAX EXPENSE/(CREDIT)

Current Taxation	2021/2022	2020/2021
	(KSHS)	(KSHS)
Current taxation based on the adjusted profit for the year at 25%	-	4,918,117
Current taxation based on the adjusted profit for the year at 30%	13,250,422	5,901,740
Prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	13,250,422	10,819,857

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Profit before taxation	22,689,831	39,882,187
Add: Expense not deductible for tax purposes	80,529,752	54,699,418
Less: Expenses deductible for tax purposes	(59,051,510)	(42,421,269)
Adjusted profit for tax purposes	44,168,073	52,160,336
Tax losses B/F	-	(12,815,402)
Total profit C/F	44,168,073	39,344,934

15.(b) INCOME TAX PAYABLE

Current Taxation	2021/2022	2020/2021
	(KSHS)	(KSHS)
Income tax payable bf	8,587,857	-
Income tax charge for the year	13,250,422	10,819,857
Tax Paid	(14,050,963)	(2,232,000)
Tax payable	7,787,316	8,587,857

16. PROPERTY, PLANT AND EQUIPMENT

2022	Water Meters	Network Extensions	Pumps and Motors	Motor Vehicles including Motor Cycles	Computers & related equipment	Office equipment , electric fence, furniture & fittings	Capital work in progress	Total

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COST OR VALUATION								
At July 1, 2021	109,962,087	150,224,333	88,949,441	48,705,671	30,170,203	20,939,397	-	448,951,132
Additions	15,566,174	11,690,573	68,312,432	38,750,000	1,434,928	237,800	-	135,991,907
Additions grants	-	22,811,066	-	-	-	-	-	22,811,066
CWIP	-	-	-	-	-	-	444,521,342	444,521,342
Disposals	-	-	-	-	-	-	-	-
At June 30, 2022	125,528,261	184,725,972	157,261,873	87,455,671	31,605,131	21,177,197	444,521,342	1,052,275,447
DEPRECIATION								
At July 1, 2021	(76,217,308)	(81,811,651)	(69,549,312)	(22,839,926)	(21,419,929)	(13,618,822)	-	(285,456,947)
Charge for the year	(10,098,126)	(3,858,685)	(21,144,124)	(18,724,200)	(6,006,407)	(1,293,410)	-	(61,124,952)
Charge for grants	-	(32,103,880)	-	-	-	(618,869)	-	(32,722,749)
At June 30, 2022	(86,315,434)	(117,774,216)	(90,693,436)	(41,564,126)	(27,426,335)	(15,531,101)	-	(379,304,647)
NET BOOK VALUE								
At June 30, 2022	39,212,828	66,951,756	66,568,437	45,891,545	4,178,796	5,646,097	444,521,342	672,970,799
2021	Water Meters	Network Extensions	Pumps and Motors	Motor Vehicles including Motor Cycles	Computers & related equipment	Office equipment , electric fence, furniture & fittings	Capital work in progress	Total
COST OR VALUATION								
At July 1, 2020	95,037,170	87,098,461	75,596,860	18,889,671	20,816,523	20,788,497	5,719,159	323,946,341
Additions	14,924,917	7,894,959	7,633,422	29,816,000	9,353,680	150,900	-	69,773,878
CWIP	-	-	5,719,159	-	-	-	(5,719,159)	-
Additions grants	-	55,230,913	-	-	-	-	-	55,230,913
Disposals	-	-	-	-	-	-	-	-
At June, 30, 2021	109,962,087	150,224,333	88,949,441	48,705,671	30,170,203	20,939,397	-	448,951,132
DEPRECIATION								
At July 1, 2020	(67,175,995)	(51,858,445)	(61,204,221)	(13,803,226)	(15,796,240)	(11,586,352)	-	(221,424,478)
Charge for the year	(9,041,313)	(1,394,810)	(8,345,091)	(9,036,700)	(5,623,689)	(1,413,601)	-	(34,855,204)
Charge for grants	-	(28,558,396)	-	-	-	(618,869)	-	(29,177,265)
At June 30, 2021	(76,217,308)	(81,811,651)	(69,549,312)	(22,839,926)	(21,419,929)	(13,618,822)	-	(285,456,947)
NET BOOK VALUE								
At June 30, 2021	33,744,780	68,412,681	19,400,129	25,865,745	8,750,274	7,320,575	-	163,494,185

17. INTANGIBLE ASSETS

	2021/2022	2020/2021
	(Kshs)	(Kshs)
COST		
At July	49,981,015	35,520,789
Additions	14,258,180	14,460,226
Disposals	=	=
At June 30th 2021	64,239,195	49,981,015
AMORTISATION		
At July	(20,134,487)	(5,232,540)
Charge for the year	(14,902,913)	(14,901,947)
Disposals	-	-
Impairment loss	-	-
At June 30th 2021	(35,037,400)	(20,134,487)
NET BOOK VALUE	29,201,795	29,846,528

The old software is fully amortized and the company has replaced all softwares with a new ERP.

18. (a) LAND AND BUILDING

	Lease hold land	Buildings	Total
	(Kshs)	(Kshs)	(Kshs)
COST			
At July 1 st 2021	50,000,000	94,891,520	144,891,520
Additions	-	-	-
Disposals	-	-	-
At June 30th 2022	50,000,000	94,891,520	144,891,520
AMORTISATION			
At July 1 st 2021	(13,539,002)	(17,532,051)	(31,071,053)
Charge for the year	(448,433)	(3,287,584)	(3,736,017)
Charge on revaluation	<u>(1,260,242)</u>	=	<u>(1,260,242)</u>
At June 30th 2022	(15,247,677)	(20,819,635)	(36,067,312)
NET BOOK VALUE			
At June 30 2022	34,752,324	74,071,884	108,824,208
At June 30 2021	36,460,998	77,359,469	113,820,467

The company land, Nakuru Municipality Block 4/27 along government road was on 25th August 2011 re-valued to Kshs. 50,000,000 by professional valuers Messrs Hectare & Associates of P.O Box 4170 -20100 Nakuru. The resultant incremental value of Kshs 37,922,895 was incorporated in the Financial Statements. The Buildings relates to the Company Head office block and central Zone office along Government Road Nakuru Municipality Block 4/27.

18 (b) REVALUATION RESERVE

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Revaluation of land and office block	34,240,647	35,485,882
Amortisation on revaluation	(1,260,242)	(1,218,234)
Total	32,980,405	34,240,647

The revaluation relates to company land, Nakuru Municipality block 4/27 along Government road which on 25th august 2011 was revalued to Kshs 50,000,000 by professional valuers Messrs hectare 7 Associate of P.O Box 4170-20100 Nakuru. The resultant incremental value of Kshs 37,922,895 was incorporated in the Financial Statements. The Building relates to the company to the Company Head office block and Central zone offices along Government road Nakuru Municipality Block 4/27.

19. INVESTMENTS IN NAWASSCOAL

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	100,000	100,000
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	100,000	100,000
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	=	=
NET BOOK VALUE	100,000	100,000

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No			
				Shs	Shs	Shs
					Current year	Prior year
					Shs	Shs
NAWASSCOAL	100	-		100,000	100,000	100,000

The company owns 100% shares in NAWASSCOAL which produces briquettes.

20. INVENTORIES

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Inventory- Chemicals	10,704,790	2,467,424
Water For Life Project (WFL)	494,961	702,845
Stationary & Accessories	2,791,809	2,703,452
Revolving Funds Project	846,935	1,159,600
Water Meters	6,196,780	3,142,703
Water Networks Extensions	2,485,496	887,494
Sewer Maintenance Fittings	38,130	38,130
Other Stocks	2,522,469	1,065,473
Protective Clothing & Clothe	702,540	234,640
Electromechanical	6,225,517	522,806
Pumps & Motors	4,478,824	1,191,754
Tools	20,764	35,220
Water Pipeline Maintenance Fittings	9,581,022	7,695,875
Motor Vehicle Spare Parts	<u>87,580</u>	<u>77,000</u>
Total	<u>47,177,617</u>	<u>21,924,416</u>

21. TRADE AND OTHER RECEIVABLES

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Net trade receivables (Note 21a)	597,514,886	666,570,684
Other Receivables		
Deposits and prepayments	11,313,327	11,313,327
VAT recoverable	15,093,230	15,093,230
Staff receivables (Note 21b)	29,666	28,334
Staff Debtor-A Turgut, M Muchai, G. Nyaata & B. Muibu	3,219,256	3,219,256
NAWASSCOAL Loan (Note 21c)	17,477,375	13,477,375
Cash collection by Posta	202,541	182,641
Advance payment on purchase of pump set	-	772,424
Accrued Interest on NAWASSCOAL Loan	1,869,617	1,195,748
Accrued interest on fixed Deposit	3,316,875	2,790,699
Total trade and other receivables	650,036,773	714,643,719

(a) TRADE RECEIVABLES

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Trade receivables	598,479,396	760,911,266
Bad debts written off	<u>(964,510)</u>	<u>(94,340,582)</u>
Net trade receivables	597,514,886	666,570,684

As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	5,364,251	5,496,834
Between 30 and 60 days	1,458,434	(2,230,244)
Between 61 and 90 days	5,652,779	12,406,395
Between 91 and 120 days	10,663,818	15,209,080
Over 120 days	563,843,984	635,688,618
Total	597,514,885	666,570,684

(b) STAFF RECEIVABLES

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Gross staff loans and advances	29,666	28,334
Provision for impairment loss	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

(c) NAWASCOAL LOAN

The loan to NAWASSCOAL relates to an amounts which was loaned to the subsidiary company in three tranches Kshs 4,621,945 on 3rd November 2018, Kshs 8,885,430 on 30th November 2019 and kshs 4 million on 13th September 2021 whose repayment was to start on 31st October 2021 and 31st October 2020 respectively. Both loans attract an interest rate of 5% is chargeable per year.

22. SHORT TERM DEPOSITS

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Fixed deposit	160,000,000	160,000,000
Call deposit	50,000,000	50,000,000
Accumulated Investments	210,000,000	210,000,000

(a) Fixed Deposit

The company on 15th June, 2021 invested Kshs160M in a fixed deposit account at Cooperative bank at interest rate of 9.30% which matured on 15th June 2022 and credited back into the Savings Bank together with the interest. On 23th June, 2022 the amount of Kshs160m was re-invested in a fixed deposit account at Co-operative Bank of Kenya at an interest rate of 9.75% to mature on 23rd June, 2023

On 7th October, 2021 the Company also invested Kshs 50m in a fixed deposit at Cooperative Bank at interest rate of 8.25% which will mature on 7th October, 2022

The company has accrued interest up to 30th June 2022 amounting to Kshs 3,316,875 for the two fixed deposits.

(b) Call Deposit

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On 24th August, 2020, the Company invested Kshs50m in a call deposit at Co-operative Bank of Kenya at an interest rate of 5% which was recalled on 13th September, 2021 and credited into the Savings Bank Account together with the interest

23. BANK AND CASH AND CASH EQUIVALENTS

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Cash in bank	148,976,537	213,546,574
Cash at hand	-	-
Total	148,976,537	213,546,574

The bulk of the cash at bank was held at Co-operative Bank of Kenya, the company's main bankers.

Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2021/2022	2020/2021
		(Kshs)	(Kshs)
Co-operative bank (Revenue A/C)	01136087648601	51,406,953	94,187,743
Co-operative bank (Expenditure A/C)	01136087648600	13,531,914	58,917,343
Co-operative bank (Savings A/C)	01100087648600	33,646,478	37,646,837
Co-operative bank (Water Worx A/C)	01136087648611	6,269	470,679
Co-operative bank (NACOSTEC A/C)	01136087648612	159,538	489,356
Co-operative bank (WSTF CLSG A/C)	01136087648613	830	11,338,233
Co-operative bank (KeNHA Pipeline re-location A/C)	01136087648614	27,869,942	(123)
Co-operative bank (Performance Guarantee A/C)	01246087648600	7,396,378	7,396,378
Co-operative Bank Heshima UPC Project	01136087648615	992,071	-
Family bank – revenue collection	018000046253	11,165,837	2,056,338
Mpesa receivable from Safaricom	111444	140,628	138,112
Equity bank – revenue collection	0310261237839	<u>2,659,699</u>	<u>905,678</u>
Grand total		148,976,537	213,546,574

24. ORDINARY SHARE CAPITALS

	2021/2022	2020/2021
	(KSHS)	(KSHS)
Authorised:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

25(a) General Reserves

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Customer Accounts debtors	443,091,806	443,091,806
National Water Corporation	(168,490,370)	(168,490,370)
Laptrust Pension	(6,145,100)	(6,145,100)
NSSF	<u>(5,562,345)</u>	<u>(5,562,345)</u>
TOTAL	262,893,992	262,893,992

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned by the Director of Water –Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443,091,806 while the operational liabilities included amounts due to National Water Corporation Kshs168,490,370, KPLC Kshs45,108,015 and employees’ statutory deductions Kshs.11, 707,446 all amounting to Kshs225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. Overall the net operational assets amounting to Kshs217, 785,976 were included as a capital reserve in the Financial Statements.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs45, 108, 015 was settled because the current bills were up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the **adjustment and payment of staff employees’ deduction (Pension to LAPTRUST)** Kshs6, 145,100 the Non -current accounts payable reduced to Kshs174, 052,100 as at 30th June 2019 while the general reserve increased to Kshs.262, 893,991.

25 (b) Non-Current Accounts payable

	2021/2022	2020/2021
	(Kshs)	(Kshs)
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100,000</u>	<u>100,000</u>
TOTAL	174,152,715	174,152,715

This relates to operational liabilities transferred from the defunct Municipal council of Nakuru to the company in 2004. The amounts were due to National Water Corporation Kshs168,490,370, KPLC Kshs45,108,015 and employees' statutory deductions Kshs.11,707,446 all amounting to Kshs225,305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs168,490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs45,108,015 was settled because the current bills were up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs6,145,100 the Non-current accounts payable reduced to Kshs174,052,100.

Kshs 100,000 relates to Investment in NAWASCOAL which produces briquettes.

26.0 DEFERRED INCOME

The deferred income relates to grants from several donors as follows; -

(i) Grant Project funded by WSTF

	2020/2021		2021/2022
	(Kshs)	Amortization	(Kshs)
WSTF-Rhonda Project	1,140,960	(1,102,567)	38,393
WSTF-Kaptembwa Project	1,074,344	(1,055,256)	19,088
WSTF-London /Manyani	2,810,846	(2,025,913)	784,933
WSTF-Free area/Kiratina	2,605,269	(2,519,437)	85,832
WSTF Project Mzee Wanyama	2,497,476	(2,497,476)	-
WSTF Project Prepaid Meters	210,916	(210,916)	-
Githima, Bondeni & Misonge WSTF	2,283,832	(2,283,832)	-

Project			
Baruti WSTF Project	2,392,805	(2,392,805)	-
Pre-paid water Meters & Maji Soko kiosks	1,711,629	(1,657,245)	54,384
Grant from WSTF –QSQF projects	<u>10,255,400</u>	<u>(1,982,293)</u>	<u>8,273,107</u>
As at 30th June,	26,983,477	(17,727,740)	9,255,737

(ii) Grant Prepaid Meters by SUWASA

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Cost	11,137,096	11,137,096
Accumulated Amortization	(11,137,076)	(11,137,076)
Charged for the year	-	-
As at 30th June,	<u>20</u>	<u>20</u>

(iii) Grants by Vitens Evides

Project	2021/2022	2020/2021
	(Kshs)	(Kshs)
Cost as at 1 st July	53,106,570	7,678,166
Additions- Materials and labour for projects	-	45,428,404
Accumulated Amortization	(14,167,372)	(4,297,555)
Amortization charge for the year	<u>(9,835,718)</u>	<u>(9,869,817)</u>
As at 30th June,	29,103,481	38,939,198

(iv) Grants by County Government of Nakuru

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Cost	4,950,950	4,950,950
Accumulated Depreciation	(2,475,476)	(1,856,607)
Charge for the year	(618,869)	(618,869)
As at 30th June,	1,856,605	2,475,474

(v) Grants by UNICEF

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Cost as at 1 st July	9,802,510	9,802,510
Addition during the year	17,270,090	-
Accumulated Depreciation	(1,960,502)	-
Amortization charge for the year	<u>(4,540,422)</u>	<u>(1,960,502)</u>
As at 30th June,	20,571,676	7,842,008

(vi) Grants by KENHA

	2021/2022	2020/2021
	(Kshs)	(Kshs)
As at 1 st July	449,090,141	-
As at 30th June,	449,090,141	-

This amount relates to funds provided by Kenya National Highway Authority for the relocation of water and sewerage pipeline network along the Nairobi -Nakuru highway.

27 TRADE AND OTHER PAYABLES

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Trade payables	526,154,857	617,951,432
Accrued expenses	-	-
Other payables	<u>38,922,529</u>	<u>133,077,9088</u>
As at 30th June,	565,077,386	751,029,340

Trade payables relate to suppliers' outstanding balances and Lease fees to CRVWDA.

28. PROVISIONS

Description	Leave Provision	Gratuity provisions	Total
Balance at the beginning of the year 1 st July 2021	2,834,172	3,876,010	6,710,182
Additional Provisions	400,415	365,455	765,870
Provision utilised			
Change due to discount and time value for money	=	=	=
Balance at the end of the year 30th June 2022	3,234,587	4,241,465	7,476,052

29. CUSTOMER DEPOSITS

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Opening Balance	130,797,972	123,620,628
Add: deposits received during the year	7,789,171	8,027,453
Less: Refunded deposits during the year	<u>1,215,511</u>	<u>850,108</u>
Closing balance	137,371,633	130,797,972

30. RELATED PARTY DISCLOSURES

(a) County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the *company*, holding 100% of the *company's* equity interest. The company was previously owned by the defunct Municipal Council of Nakuru and currently owned by the County Government of Nakuru.

(b) NAWASSCOAL Company Ltd

The Company was registered as a subsidiary in 20th September, 2018 and it is wholly owned (100%) by NAWASSCO

Other related parties include: -

1. Key Management
2. Board of Directors

Transactions with related parties

	2021/2022	2020/2021
	(Kshs)	(Kshs)
i) Transactions with related parties		
Sales of goods /services to County Government of Nakuru	17,466,261	19,501,043
Sale of goods /services to NAWASCOAL	102,932	161,099
Loan to NAWASCOAL	<u>4,000,000</u>	=
Total	21,569,193	19,662,142
ii) Key management compensation		
Salaries and other short term employment benefits	<u>36,886,125</u>	<u>34,477,932</u>
Total	36,886,125	34,477,932
iii) Directors' Expenses		
Directors sitting allowance	8,085,000	9,520,000
Directors travel and general expenses	2,074,436	1,412,551
Chairman honorarium	<u>942,864</u>	<u>942,864</u>
Total	11,102,300	11,875,415
iv) Outstanding balances arising from sale and purchase of goods/services		
Non-current receivables from defunct Municipal Council of Nakuru	215,703,436	215,703,436
Currently County Government of Nakuru	26,179,578	39,806,567
NAWASSCOAL loan and Water bills	<u>17,741,406</u>	<u>13,638,474</u>
Total	259,624,420	269,148,477

c) Assets and Liabilities Transferred

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned by the Director of Water –Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443,091,806 while the operational liabilities included amounts due to National Water Corporation Kshs168,490,370, KPLC Kshs45,108,015 and employees' statutory deductions Kshs.11, 707,446 all amounting to Kshs225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. Overall the net operational assets amounting to Kshs217, 785,976 were included as a capital reserve in the Financial Statements.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs45, 108, 015 was settled because the current bills were up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the **adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs6, 145,100** the Non-current accounts payable reduced to Kshs174, 052,100 as at 30th June 2019 while the capital reserve increased to Kshs.262, 893,991.

	2021/2022	2020/2021
	(Kshs)	(Kshs)
Long term liability movement		
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100,000</u>	<u>100,000</u>
TOTAL	174,152,715	174,152,715

The total authorized number of ordinary shares is 100 with a par value of Kshs 1,000 per share are owned by NAWASSCO. All issued shares are not paid for.

31. CONTINGENT LIABILITIES

The company had 23 court cases relating to customer's disconnection disputes. The Company does not expect material awards by the courts from cases.

In the opinion of the directors, no provision is required in these financial statements as the company had no contingent liabilities in respect of bank, guarantees and other matters arising in the course of business

32. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management 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 does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The entity 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: -

	Total Amount	Fully Performing	Past Due	Impaired
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
At 30th June 2022				
Receivables from exchange transactions	597,514,886	235,319,420	362,195,466	-
Bank balances	<u>148,976,537</u>	<u>213,546,574</u>	=	=
Total	746,491,423	448,865,994	362,195,466	-
At 30th June 2021				
Receivables from exchange transactions	714,643,719	201,910,474	512,733,245	-
Bank balances	<u>213,546,574</u>	<u>213,546,574</u>	=	=
Total	928,190,293	415,457,048	512,733,245	-

The company has significant concentration of credit risk on amounts due from the County Government of Nakuru.

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

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within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1 & 3 Months	Over 5 Months	Total
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
At 30th June 2022				
Trade payables	52,610,031	14,543,602	459,001,224	526,154,857
Customer Deposits	874,886	2,624,657	133,872,090	137,371,633
Employee benefit obligation	6,153,446	-	7,476,052	13,629,498
Pipeline relocation funds & uncredited customers	-	395,194	1,692,025	2,087,218
WaterWorx Projects. Withholding taxes and revolving fund	-	-	5,929,679	5,929,679
Customer pre-payments	<u>1,237,610</u>	<u>2,475,218</u>	<u>21,039,358</u>	<u>24,752,186</u>
Total				709,925,071
At 30th June 2021				
Trade payables	23,911,453	27,260,535	566,779,444	581,067,007
Customer Deposits	598,112	1,794,336	128,405,524	130,797,972
Unclaimed Mpesa receipts	-	-	1,053,464	1,053,464
Employee benefit obligation	5,212,000	-	6,710,182	11,922,183
Pipeline relocation funds & uncredited customers	-	1,692,025	705,823	2,397,848
WaterWorx Projects. Withholding taxes and revolving fund	-	-	2,495,863	2,495,863
Customer pre-payments	<u>1,071,576</u>	<u>2,143,151</u>	<u>48,649,596</u>	<u>49,041,749</u>
Total				750,243,807

(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.

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 rate 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.

Management of interest rate risk

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

(i) 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 capital structure comprises of the following funds: -

	2021/2022	2022
	(Kshs)	(Kshs)
Revaluation reserve	32,980,405	34,240,647
Retained earnings	169,570,568	160,131,160
General reserve	<u>262,993,992</u>	<u>262,893,992</u>
Total funds	465,544,965	457,365,799

33. INCORPORATION

Nakuru Water and Sanitation Services Company Limited is incorporated in Kenya under the Kenyan Companies Act 2015 and is domiciled in Kenya.

34. EVENTS AFTER THE REPORTING PERIOD

Nakuru Water and Sanitation Services Company Limited did not have material adjusting and non- adjusting events after the reporting period.

35. CURRENCY

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

36. CAPITAL COMMITMENTS

	2021/2022	2022

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	(Kshs)	(Kshs)
Amounts authorized and contracted for	642,179,966	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	<u>(444,521,342)</u>	=
Total funds	197,658,624	-

This relates to re-location of water and sewerage infrastructure along Nairobi- Nakuru highway Barnabanas-Njoro turn off to pave way for the construction of the highway. The Funds were provided by Kenya National Highway Authority.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
1. REPORT ON THE FINANCIAL STATEMENTS					
Basis for Qualified Opinion					
I. Undisclosed Loan from African Development Bank (AfDB)	The statement of profit or loss and other comprehensive income reflects operating and maintenance costs of Kshs. 377,119,876 for the year ended 30 June, 2021. However, the balance differs with the amount of Kshs. 282,779,924 disclosed in Note 12(a) to the financial statements resulting to unreconciled variance of Kshs. 94,339,952. Also Included, in the balance is the ADB loan repayment amount of Kshs. 39,468,545 which has been expensed. As previously reported, although the company procured the amount of Kshs. 994,706,658 from African Development Bank (ADB) through Rift Valley Water Works	<p>(a) Operating and Maintenance Costs</p> <p><i>The correct amount of operating and maintenance costs is Kshs282,779,924 as disclosed in Note 12(a) to the financial statements. The amount of Kshs. 377,119,876 reflected in statement of profit or loss and other comprehensive income was due a typing error and it does not affect the figure of total expenses. This typing error has been corrected in the financial statements for period ended 30th June, 2022.</i></p> <p>(b) Disclosure of the outstanding Loan Balance from African Development Bank (AfDB)</p> <p><i>According to the Water Act 2002, the development of water and sanitation infrastructure was the work of Water Service Boards who appointed agents to operate and maintain the assets while the ownership remained with the Service Boards.</i></p> <p><i>According to the loan agreement provided by Rift Valley Water Services Board (RVWSB), the Government of Kenya acting through its Ministry of Finance in the year 2005 signed a loan agreement with RVWSB for financing projects to improve</i></p>	Isaac M. Makori - Finance Manager	Not resolved	30 th June, 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>Development Agency (RVWDA) and continues to service it, the outstanding loan balance is not reported on the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act No.17 of 2015 which requires accounting records of the company to contain day to day entries of all amounts of money received and spent.</p> <p>Consequently, the accuracy and fair statement of the liabilities in respect of the undisclosed African Development Bank (AfDB) which was obtained through the Rift Valley Water Works Development Agency (RVWDA) and which the Company is servicing could not be confirmed.</p>	<p><i>water supply and sanitation services. The loan was from African Development Bank (AfDB) to the Government for on-lending to the RVWSB.</i></p> <p><i>The loan was used in the construction of the Olbanita Project and other related works. After the completion of the project RVWSB handed over the project to the company for operations and maintenance but retained the ownership of the assets and the assets have not been transferred to the Company. If we record the loan and the assets in our books it would result to double accounting since the same is already recorded in the books of RVWSB currently Central Rift Valley Water Works Development Agency (CRVWDA).</i></p> <p><i>However, the Water Act 2002 was reviewed in 2016, but is has not been fully operationalised through a regulation hence assets acquired by / obligations by CRVWDA have not been transferred to the Company for proper accounting. The then Transitional Authority also did not remedy this situation for the County Government, Water Companies and Water Service Boards.</i></p>			
2. Trade and Other Receivables	<p>The statement of financial position as at 30 June, 2021 reflects trade and other receivables balance of Kshs. 714,643,719 and as disclosed in Note 19(a) to the financial statements. However, the balance includes net trade receivables of Kshs.</p>	<p><i>The variance of Kshs 49,041,749 between financial statements and supporting schedule relates customer prepayments which had been classified under other payables in Note 25.</i></p> <p><i>The net trade receivables balance of Kshs666,570,684 as reported under Note 19 (a) relates to customers with debit balances while the supporting schedule amount of Kshs617,528,935 is net of customers with credit and debit</i></p>	Isaac M. Makori - Finance Manager	Resolved	30 th June, 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>666,570,684 which is at variance with the supporting schedule amount of Kshs. 617,528,935 resulting to unreconciled variance of Kshs. 49,041,749.</p> <p>Consequently, the accuracy and fair statement of the trade and other receivables balance of Kshs, 714,643,719 as at 30 June, 2021 could not be confirmed.</p>	<p><i>balances thus the variance of Kshs49,041,749</i></p>			
3. Doubtful Reserve Assets Transferred	<p>The statement of financial position and as disclosed in Note 23(c) reflects a balance of Kshs. 262,893,991 in respect of reserve assets transferred. However, the balance is not supported by way of detailed analysis of customer accounts.</p> <p>Consequently, the accuracy and fair statement of reserve assets transferred balance of Kshs.262,893,991 as at 30 June, 2021 could not be established.</p>	<p><i>In order to comply with the provisions of the Water Act, 2002 the Company was registered on 8th September,2003 and started operations on 1st June, 2004. Before then, the provision of water and sanitation services was being done by the defunct Municipal Council of Nakuru</i></p> <p><i>To facilitate the Company in the provision of services, the defunct Municipal Council of Nakuru transferred some operational assets (customers' accounts balances) and liabilities. The operational assets comprising of customers account balances amounted to Kshs443, 091,806 while liabilities amounted to Kshs180, 197,815 resulting to a net balance of Kshs262, 893,991 which is a general reserve.</i></p> <p><i>While recording the amount of Kshs262, 893,991 in Company books it was given a wrong given a wrong description of Reserve-Assets Transferred instead of a General Reserve.</i></p> <p><i>We have since given the amount the correct description and disclosed the same as a note in the</i></p>	Isaac Makori - Finance Manager	Resolved	30 th June, 2022



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<i>financial statements</i>			
4. Long Outstanding Debt - Rift Valley Water Works Development Agency	<p>The statement of financial position as disclosed under note 25 to the financial statements reflects a balance of Kshs. 751,029,340 in respect of trade and payables as at 30 June, 2021.</p> <p>Included in the balance is trade payables balance of Kshs. 617,951,432 which includes Kshs. 446,976,985 owed to Central Rift Rift Water Works Development Agency (CRVWWDA) on account of administrative fees payable that has accrued since the year 2013 due to instructions not to pay issued by the County Government of Nakuru. No explanation has been provided or evidence of steps taken by the Company to resolve the matter.</p> <p>In the circumstances, the accuracy and fair statement of trade and other payables balance of Kshs.751,029,340 as at 30 June, 2021 could not be confirmed.</p>	<p><i>It is true that the Company stopped remittance of the administrative fees to Central Rift Rift Water Works Development Agency (CRVWWDA) due to the instructions which the Company received from the County Government of Nakuru vide letter reference NCG/S/NWS/VOL.1/90 dated 2nd April, 2015</i></p> <p><i>The letter from County Government was written to CRVWWDA and copied to the Company with instructions not to pay until further notice. The letter was tabled before the Board of Directors which has a representation of the County Government of Nakuru for adoption and the way forward. It was resolved that since it was the shareholder who gave the instructions, the company did not have much to do except to wait for further instructions.</i></p>	Isaac Makori - Finance Manager	Not resolved	30 th June, 2023
5. Long Outstanding Trade	The statement of financial position as disclosed under	Majority of the outstanding dormant water customer's accounts of Kshs293,853,151 is	James M. Gathairu, Commercial	Not Resolved	30 th June, 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
Receivables Accounts	<p>Note 19(a) to the financial statements reflects a balance of Kshs. 714,643,719 in respect of trade and other receivables as at 30 June, 2021. Included in the balance is Kshs. 666,570,684 in respect of water and sewerage services. However, the balance of Kshs. 666,570,684 includes six thousand six hundred and thirty-one (6,631) dormant water customers' accounts with outstanding debt balance of Kshs. 293,853,151. The Management has not demonstrated any appropriate measures taken including legal action to enforce collection of these debts' contrary to the provisions of the Company's Finance Manual 2021 Section 5.2. Further, no provision for doubtful debts has been made in respect of these doubtful debts.</p> <p>Consequently, the the accuracy, completeness and fair statement of trade and other payables balance of Kshs. 714,643,719 as at 30 June, 2021 could not be</p>	<p><i>owed by the defunct Municipal Council of Nakuru (MCN) Kshs215,705,435 which was initially taken over by the then Transition Authority who verified the amount as payable and later handed over to now Nakuru County Government for payment. We have constantly followed up with the County Government for payment through physical visits, demand letters and disconnections to enforce payment. In the month of May 2021 the above amount was audited and verified by Auditor General and captured as pending bills payable by the County Government of Nakuru who have since not paid.</i></p> <p><i>The balance of Kshs78,147,716 are owed by individual customers who are disconnected for none payment. These customers have since vacated and stopped using our services. We have carried out field investigations and the report has indicated that this balance relates to the minimum monthly charges on the disconnected accounts which are under dispute and have been corrected in the period ending 30th June, 2022.</i></p>	Manager		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	confirmed.				
6. Unaccounted for Fuel	<p>Note 12(a) to the financial statements reflects operating and maintenance expenses balance of Kshs. 282,779,294 for the year ended 30 June, 2021. Included in this amount is Kshs. 7,938,437 in respect of fuel expenditure. Records provided for audit review revealed that fuel costing Kshs. 3,219,256 was lost through fraud during the year under review in the months of September to November, 2020. The matter is in Court and judgement had not been made as at the time of audit.</p> <p>Consequently, the recoverability of Kshs. 3,219,256 is dependent on the outcome of the Court case.</p>	<p><i>The Company did record loss of Fuel amounting to Kshs. 3,219,256 and employees found culpable dismissed from service pending Criminal Investigations and Judgement by the Court.</i></p> <p><i>As per the Company's Policy on the same, none of the persons found culpable has accessed their terminal benefits nor cleared by the Company to access their Pension Benefits until the conclusion of the matter.</i></p> <p><i>All suspected criminal cases can only be handled through the judicial system of Kenya and the Company will have undertaken all the necessary steps to ensure the unaccounted for fuel and monies lost are recovered accordingly.</i></p>	Carditor W. Muchoki, Human Resource and Administration Manager	Not Resolved	30 th June, 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
<i>Emphasis of Matter</i>					

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
1. Budget Control and Performance	The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs. 1,028,242,527. The actual income for the year amounted to Kshs. 1,015,944,217 resulting to an overall shortfall of Kshs. 12,298,310 or (1%) of the budget. Management has not provided satisfactory explanations for the revenue shortfall that may have impacted negatively on service delivery to the residents of Nakuru town. In addition, out of the actual revenue of Kshs.1,015,944,217, actual expenditure was Kshs.976,062,030 resulting to an under absorption of Kshs.39,882,187 (or 4%).	<p>a. Shortfall on meeting the Budgeted revenue Kshs 1,028,242,527</p> <p><i>The Company did not achieve the budget revenue of Kshs 1,028,242,527 due to slow recovery of the economy during to Covid -19 Pandemic which affected its main customers such as the hotels, schools and colleges.</i></p> <p>b. Expenditure of Kshs 976,062,030 against revenue of Kshs 1,028,242,527</p> <p><i>The under absorption (surplus) by Kshs39,882,187 or 4 % was utilised to acquire assets amounting to Kshs69.7m during the year under review which are recorded in the statement of financial position and therefore there is no under absorption of actual expenditure.</i></p>	Isaac Makori-Finance Manager	Not resolved	30 th June, 2022
2. REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
Basis of Conclusion					
1. Non- Revenue Water	Available records indicate that the Company produced 13,358,950 cubic meters of water out of which, only 9,130,940 cubic meters were billed to customers leaving out the balance of 4,228,010 cubic meters Non-Revenue Water at	<p><i>The company is very keen on reducing NRW to the sector bench mark levels of 25% and a lot of efforts have been put in place to reduce NRW</i></p> <p><i>Some of the interventions which have been undertaken include;</i></p> <ul style="list-style-type: none"> ● <i>Rehabilitating the old dilapidated and spaghetti networks within the supply area which recorded the highest of physical losses.</i> ● <i>Conducting minimum night flow measurements to</i> 	Margaret Kinyanjui Technical Manager	Not resolved	30 th June, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>an estimated value of Kshs. 328,257,551. This represents 32 % of the production which exceeded the set threshold of 25% approved by the Water Services Regulatory Board (WASREB) guidelines. No explanations have been rendered for the high NRW and measures being put in place to resolve the loss in revenue.</p>	<p><i>apportion contribution of physical losses in various places to aid in decision making for NRW reduction interventions.</i></p> <ul style="list-style-type: none"> ● <i>Use of High Density Poly Ethylene(HDPE) pipes in place of Ultra Poly Vinyl Chlorite (UPVC) for network extension and maintenance since HDPE pipes are stronger, can withstand higher pressure, have less joints and less prone to leaks and bursts.</i> ● <i>Replacement consumer meters whereby faulty/old/under registering meters are being replaced with automatic meter reading (AMR) enabled meters which are more accurate with hope to automate them fully for real time meter reading and easier NRW computations. So far 13,000 smart enabled meters have been installed within central and southern zones.</i> ● <i>Surveillance for illegal useis being intensified whereby the illegal use team have been facilitated with a vehicle, a motorbike and security reinforcement where necessary.</i> ● <i>Relocation of 3500 consumer meters to the nearest mains in the low income areas which have high number of water theft cases</i> ● <i>Automation of water production sites by installing more efficient meters for accurate meter reading</i> ● <i>Installation of level sensors in storage tanks to shut off the inflow of water to control overflows.</i> ● <i>Replacement of 13000 old and faulty meters with smart meters</i> 			

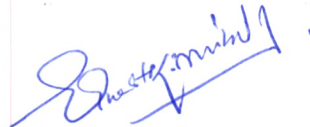
Nakuru Water and Sanitation Services Company Limited
Annual Reports and Financial Statements
For the year ended 30th June, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
2.	<p>Consumer Billings Without Serialized Water Meters</p> <p>Audit examination of billing records for the year ended 30 June, 2021 revealed that ninety-eight thousand eight hundred and eight two (98,882) water customers had meters without serial numbers for ease of identification and accountability. Although income of Kshs. 3,494,826 was realized from these accounts, the individual serialized meter numbers are not captured in the Company assets records or billing system.</p> <p>Consequently, the Company has not documented or safeguarded all its water meters used in the water distribution and sale system which may result to revenue losses.</p>	<p><i>The consumers without serialized water meters were 1,600 and not 98,882. These accounts were not metered because they used water that is raw (untreated) which serves the community where the water network passes through on its way to the treatment plant from the river source. The ordinary water meter cannot be used in the raw water accounts and currently there is no customized meters in the market for raw water. Thus this explains why the above accounts are not serialized/metered.</i></p>	<p>James M. Gathairu, Commercial Manager</p>	Not Resolved	30 th June, 2023

Signed By:



JAMES N. GACHATHI
MANAGING DIRECTOR



ERNEST K. MUIBU
CHAIRMAN OF THE BOARD

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
UNICEF Water Pipeline water ,Kiosks and Yard taps and community health and hygiene promotion	1	UNICEF	5 th December 20- May 2021	17,270,090	Yes	UNICEF Water Pipeline water ,Kiosks and Yard taps and community health and hygiene promotion
Quick Start Quick Finish Interventions.	1	Water Sector Trust Fund	July 2020- December 2020	10,255,400	Yes	Yes
Re-location of Water and Sewerage Pipeline Network	1	Kenya National Highway authority	May 2021 – August 2021	642,179,966	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	UNICEF Water Pipeline ,water Kiosks and Yard taps	12,899,602	12,899,602	100%	12,899,602	12,899,602	UNICEF
2	Quick Start Quick Finish Interventions	10,255,400	9,911,465	100%	10,255,400	9,911,465	Water Sector Trust Fund.
3	Re-location of Water and Sewerage Pipeline Network	642,179,966	444,521,342	70%	642,179,966	444,521,342	Kenya National Highway Authority

APPENDIX III: INTER-ENTITY TRANSFERS

The company did not receive any transfers from state departments during the year under review.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

The company did not have transfers from other Government entities during the year under review.

