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**NAIROBI CITY WATER AND
SEWERAGE COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**

NAIROBI CITY WATER AND SEWERAGE COMPANY LTD



Annual Report and Financial statements, For the year ending 30th, June 2023

2022 /2023

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



Insurance of Motor Vehicle Coverage Company Ltd
Annual Report and Financial statements
For the year ended 30th June 2023

Annual Report and Financial statements

2022/2023

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I. ACRONYMS AND GLOSSARY OF TERMS

AWWDA - Athi Water Works Development Agency

BOD- Board of Directors

BOM-Board of Management

CBR- Central Bank Rate

CCO -County Chief Officer

CECM- County Executive Committee Member

CLSG - Conditional Liquidity Support Grant

CSR- Corporate Social Responsibility

DESTW – Dandora Estates Treatment Works

EAC - The East African Community

EMDEs - Emerging Markets and Developing Economies

GDP -Gross Domestic Product

IFRS- International Financial Reporting Standards

ISO- international organization standards

ITA - Income Tax Act

KRA- Kenya Revenue Authority

LAPTRUST- Local Authorities Pension Trust

MFA- Mobile Field Assistant

NCA – National Construction Authority

NCCG- Nairobi City County Government

NCWSC-Nairobi City Water and Sewerage Company

NRW- Non Revenue Water

OBA- Output Based Aid

OSHA - Operational, Health and Safety Act

PFM – Public Finance Management

PPP- Public Private Partnership

SSA -Sub-Saharan Africa

UM -Utility Master

WARIS - Water Regulatory Information System

WASCO -Water and Sewerage Sports Organization

WASREB- Water Services Regulatory Board,

WaSSIP - Water and Sanitation Services Improvement Project

WSTF- Water Sector Trust Fund

II. KEY CORPORATE INFORMATION

Background information

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

PRINCIPAL ACTIVITY

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

Our Vision

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

Our Mission

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

Our Core values

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

DIRECTORS

The Company's Board of Directors is appointed in accordance with the provisions of the Companies Act, Laws of Kenya. The Board of Directors who served during the year was appointed on 19th July 2019 by the shareholder and retired on 15th February 2023.

S/No.	Name	Title	Remark
1.	Beryl Lillian Okumu Odinga	Chairperson	Re-appointed on 26 th April 2023
2.	Timothy Maceru Muriuki	Vice-Chair	Retired on 15 th February 2023
3.	Leonard M Kamba Kiiti	Member	Retired on 15 th February 2023
4.	Martin Kuruga Mbichire	Member	Retired on 15 th February 2023
5.	Mohamed Abdi Abdullahi	Member	Retired on 15 th February 2023
6.	Emmah Mukuhi Muthoni	Member	Retired on 15 th February 2023 and reappointed on 26 th April 2023
7	Allan Igambi Esabwa	Member	Retired on 15 th February 2023
8.	Abdihakim Kahiya	Member	Retired on 15 th February 2023
9	K.Mario Kainga	Member	Retired on 15 th February 2023
10	Eng. Nahason M.Muguna	Managing Director	Appointed 27 th May 2020

A new board was appointed on 26th April 2023 and is listed below;

	Name	Title	Remark
1.	Arnold Karanja	Chairperson	Appointed on 26 th April 2023
2.	Beryl Lillian Okumu Odinga	Vice-Chair	Appointed on 26 th April 2023
3.	Cedric Alaro	Member	Appointed on 26 th April 2023
4.	Johnstone Mukabwa	Member	Appointed on 26 th April 2023
5.	Robow Mohamed	Member	Appointed on 26 th April 2023
6.	Emmah Mukuhi Muthoni	Member	Appointed on 26 th April 2023
7	Rose Muthoni Wamuiya	Member	Appointed on 26 th

			April 2023
8.	CEC Member – Green Nairobi (Environment, Water, Food and Agriculture), Nairobi City County Government (Maureen Njeri) Alternate: County Chief Officer, Water & Sewerage, Nairobi City County Government (Oscar Omoke)	Member	Appointed on 26th April 2023 Appointed on 26th April 2023
9	CEC Member – Finance & Economic Planning, Nairobi City County Government.(Charles Kerich) Alternate: County Chief Officer – Finance, Nairobi City County Government (Asha Abdi)	Member	Appointed on 26th April 2023
11	Eng. Nahason M.Muguna	Managing Director	Appointed 27 th May 2020

Principal Place of Business & registered Office

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

Bankers

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

Equity Bank (K) Limited

Equity centre, Hospital road, upper hill
P.O Box 75104-00200 Nairobi, Kenya

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

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

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

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

Bankers (Continued)

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

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

Ag. Company Secretary

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

Principal Legal Advisor

Attorney General

Auditor






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


III. THE BOARD OF DIRECTORS

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

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

	NAME	Qualifications and experience	Status
1	Beryl Lillian Okumu Odinga Chair Age: 70 yrs 	LLB, Post graduate diploma in Law Chair - Kenya Railways Staff Retirement Benefit Scheme Deputy Town Clerk - City of Mutale, Zimbabwe Legal Advisor - Urban Development Corporation (Harare Zimbabwe) Deputy CEO - Chitungwiza Town Council (Zimbabwe) Board Chair-NCWSC	Appointed 19 th July 2019
2	Timothy Maceru Muriuki (DoB 1969)- Vice Chair 	B.A. Land Economics Chair - Index Commercial Projects General Manager - International House Facilities Manager - Lloyd Masika Board member - Nairobi Central Business District Association Board member - Athi Water Services Board Board member - NCWSC Chair - Technical, Commercial & ICT Committee-NCWSC	Appointed 19 th July 2019 and retired on 15 th February 2023
3	Leonard M Kamba Kiiti - (DoB 1957) 	Bachelor of Science Chair - Makueni CDF Chair - Machakos Water and Sewerage Company Chair- Makueni District Education Board Golf Captain - Machakos Golf Club Chair - Mwaani Boys High School Board of Management - Mwaani Girls	Appointed 19 th July 2019 and retired on 15 th February 2023
4	Martin Kuruga Mbichire (DoB 1982) 	Bachelor of Laws (LL.B) Post grad diploma in Law Advocate - Mbichire & Co Assistant Lecturer - Pioneer University	Appointed 19 th July 2019 and retired on 15 th February 2023
5	Mohamed Abdi Abdullahi (DoB 1990)	MBA, Strategic Management Bachelor of International Business Administration Finance Director - Tristar Energy limited Production Manager - Premier Petroleum	Appointed 19 th July 2019 and retired on

	NAME	Qualifications and experience	Status
		Monitoring and Evaluation Officer-Save Somali Women and Children Chair- Finance Committee NCWSC	15 th February 2023
6	Emmah Mukuhi Muthoni (DoB 1983) 	BCOM, Business Administration DIP County Executive Committee Member -Nairobi City County Government Head of corporate services - Toddy Civil Engineering Chief Financial Controller- Toddy Civil Engineering Chair-Human Resource, Administration & Communication Committee wef from Feb-22	Appointed 19 th July 2019 and retired on 15 th February 2013 Reappointed on 26 th April 2023
7	Allan Igambi Esabwa (DoB 1976) 	County Executive Committee member -Finance and Economic Planning	Appointed 17 th April 2020 and retired on 15 th February 2023
8	Jairus Musumba 	County Secretary	Appointed on 6 th January 2021 retired 5 th July 2021
9	Abdihakim Kahiya		Appointed 5 th July 2021 and retired on 15 th February 2023
10	 K.Mario Kainga		Appointed March 2022 and retired on 15 th February 2023
11	Arnold Karanja Chairman Age: 34yrs	Bachelor of Laws	Appointed 26 th April 2023

	NAME	Qualifications and experience	Status
12	Cedric K. Alaro Age: 43yrs		Appointed 26th April 2023
13	Johnstone Alusiola Mukabwa Age: 54yrs		Appointed 26th April 2023
14	Robow Mohamed Age: 46yrs		Appointed 26th April 2023
15	Rose Ether Muthoni Wamuiya Age: 38 yrs		Appointed 26th April 2023
16	Charles K. Kerich CEC Member – Finance & Economic Planning, Nairobi City County Government		Appointed 26th April 2023
17	Oscar Omoke County Chief Officer, Water & Sewerage, Nairobi City County Government		Appointed 26th April 2023
18	Eng Nahason M. Muguna 	Managing Director ,Msc-Eng, MBA, Bsc.(Mechanical Eng)	Managing Director
19	Assumpta M. Reuben	Ag. Company Secretary MBA (Strategic Management), LLB(Hons), Post graduate diploma in Law, Higher Dip in (HRM)	Acting from 1 st July 2022

Changes in the composition of the Board during the year:

The Secretary Governance, Ethics & Intergovernmental Affairs – Nairobi Metropolitan Services Mr.Abdihakim Kahiya ceased holding office on 18th October 2022. He was replaced by the County Secretary & Head of Public Service, Nairobi City County.

The following directors ceased holding office on 15th February 2023:

1. County Secretary & Head of Public Service, Nairobi City County
2. County Executive Committee Member (CECM), Finance – Nairobi City County
3. County Chief Officer
4. County Executive Committee Member, Water, Sanitation & Energy - Nairobi City County
5. Emma Mukuhi Muthoni
6. Leonard Munyao Kamba
7. Martin Mbichire Kuruga
8. Mohamed Abdi Abdullahi
9. Timothy Maceru Muriuki
10. Abdihakim Kahiya

The following directors held office from 26 April 2023:

- 1) Arnold Karanja
- 2) CEC Member – Finance & Economic Planning, Nairobi City County Government (Charles Kerich)
Alternate: County Chief Officer – Finance, Nairobi City County Government (Asha Abdi)
- 3) CEC Member – Green Nairobi (Environment, Water, Food and Agriculture), Nairobi City County Government (Maureen Njeri)
Alternate: County Chief Officer, Water & Sewerage, Nairobi City County Government (Oscar Omoke)
- 4) Cedric K. Alaro
- 5) Emmah Mukuhi
- 6) Johnstone Alusiola Mukabwa
- 7) Robow Mohamed
- 8) Rose Esther Muthoni Wamuiya



Director Beryl Lillian Okumu continued to hold office pursuant to an appointment made on 25th March 2022.

IV. KEY OFFICERS

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

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

Name	Title	Qualification
Eng. Nahason M. Muguna 	Managing Director	Msc-Eng, MBA, Bsc.(Mechanical Eng)
Monica N. Tuli 	Ag. Director Human Resources and Administration	Msc (HRM), Bachelor of Arts , Higher Dip (HRM),CHRP
Paul Evans Omondi 	Director Financial Services & Strategy	MBA (Strategic Management),B.Com (Finance), CPA(K)
Eng. Stephen Mbugua 	Director Commercial services	MBA (Strategic Management) BSc (Mechanical Engineering)
Eng. Lucy Njambi 	Director Technical Services	MSc Water and Sanitation,Bsc Civil Engineering
Martin W. Nangole 	Director Information & Communications Technology	Masters in IT, Bsc.(Computer science), CISCO,MCP

 Martha Kibui	Ag. Director Internal Audit & risk management	MBA(Strategic management) BA.(Economics in Accounting)
 Assumpta M. Reuben	Ag. Company Secretary	MBA (Strategic Management), LLB(Hons), Post graduate diploma in Law, Higher Dip in (HRM)

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

V. CHAIRPERSON'S STATEMENT ON 2022/2023 FINANCIAL ACCOUNTS AND REPORT

Global Macroeconomic Overview

According to 2023 Kenyan Economic Survey, in the year 2022, the World realized a major decreased growth rate in the real Gross Domestic Product (GDP) at 3.4% compared with a growth rate of 6% in 2021. This slowed growth was as a result of the Ukraine-Russia war which led to a spike in the prices of many commodities (energy and food), resurgence of the COVID-19 pandemic in China and a change (tightening) of monetary policies in most economies. The deceleration was witnessed in both the advanced economies and the Emerging Markets and Developing Economies (EMDEs). In the same period, the Sub-Saharan African (SSA) GDP growth decreased at a rate of 3.9% compared with 4.8% in 2021, while that of the East African Community (EAC) slowed to 4.9% compared with 6.7% in 2021.

The Global inflation rate rose from 4.7% in 2021 to 8.7% in 2022. This was similarly as a result of market interruptions by the Ukraine-Russia conflict, rise in energy prices and currency depreciation against the dollar in most economies including Kenya.

Kenyan Economy Overview

During the financial year under review, the country's real GDP grew at a slower rate of 4.8% compared to 7.6% in 2021. The slowed growth was witnessed in almost all sectors compared with very high growth rates in the previous year, 2021. The 4.8% growth was spread in all sectors but was more pronounced in service oriented activities. The main sectors exhibiting high growth rate included Transportation and Storage (5.6%), Financial and insurance (12.8%), Information and Communication (9.9%) and Accommodation and Food service activities (26.2%).

In the year 2022, the general inflation went up to 7.4% from 6.1% in 2021. This was mainly driven by an increase in food and fuel prices, triggered by the supply chain interruptions from the Russia-Ukraine war. The Central Bank Rate (CBR) was adjusted during the year from 7% in December 2021 to stand at 8.75% in December 2022. This subsequently led to an increase in the interest rates on loans from 12.16 in December 2021 to 12.67% in December 2022.

Water and Sanitation Subsector Overview

During the year ending June 2022, 0.5% was the approximate share contribution of water, sewerage, and waste management sector to the national nominal GDP. This was a decline by 0.1% from 0.6% share contribution achieved in the previous year.

In the period under review, there was a general increase in the total volume of water abstracted from 32,341.1 million M3 in 2021/22 to 32,429.8 million M3 in 2022/23. 99.3% of this

abstraction is from the surface water, with ground water accounting for only 0.7% of the abstraction. However, there was growth in the ground water abstraction volume from 220.4 million M3 in 2021/22 to 230 million M3 in 2022/23.

Nairobi City Water and Sewerage Company

Nairobi City Water and Sewerage Company (NCWSC) plays a critical role in Kenya's water sector. Being the largest Water Service Provider in Kenya and serving the capital underlines the significance of the role played in supporting the country's economic development. As pronounced in the Economic Survey 2023, changes in government spending, climatic challenges and global occurrences affected various sectors negatively leading to reduced water sector funding, reduced expected rainfall and increased inflation. All these have a negative impact on NCWSC and require appropriate proactive and preventive measures to guarantee the going concern of the company to achieve the set mandate.

The suppressed rainfall and the unpredictable weather patterns including the recent drought earlier in 2023 created water supply challenges. In this regard, the company will adopt operational efficiency so as to ensure full utilization of the available volumes. This includes enhanced optimization of the equitable distribution programme and enhanced Non-Revenue Water management plans to ensure reduced losses, even as it grapples with increasing demand.

As noted above under the water and sanitation sub-sectoral analyses, various government policies in the year led to reduced funding to the water sector. In 2022/23, government expenditure in the water development reduced from Ksh 47 billion in 2021/22 to Ksh 45 billion in 2022/23. This reduced investment at a time when there is increased demand for water supply requires proper fiscal policies by Water Services Providers including NCWSC to ensure services sustainability. The recently approved new water tariff for NCWSC is a good start to boost the company in efforts to seamlessly cover the Operations and Maintenance (O&M) costs. Additionally, there is need to explore productive partnerships with development partners especially in the development of water and sewerage infrastructure, and thus boost the water supply to reach the unserved and underserved areas.

The year 2022 saw a spike in the housing sector. The government completed 1,390 housing units up from 431 units in 2021. Of these, Nairobi City County benefitted greatly by a 58% increase in the value of building plans issued. This demonstrates the continued increasing demand for water and sewerage services in NCWSC's area of mandate. In this regard, the company will proactively tap in these new customers, and bring them on board. It also underpins the need for a collaborative approach with other government entities including the Nairobi City County Government (NCCG) and National Construction Authority (NCA) to ensure all new developments are captured to avoid any illegal connections.

The year 2022 saw Kenya suffer heightened inflation of 7.4% up from 6.1% in 2021. This led to an increase of many factors of production for the company including electricity, water treatment chemicals and water pipes. Consequently, this led to increased operational expenditure during the year and constrained minor investment.

My gratitude goes to our esteemed customers, Nairobi City County Government, the National Government agencies directly and indirectly responsible for provision of Water and Sanitation services led by the Ministry of Water & Sanitation and Irrigation and sub-sector agencies including the regulator, Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF), Athi Water Works Development Agency, and other strategic stakeholders including the development partners for unwavering commitment and support during the year. The Board of Directors also wish to thank the management and staff for sustainability of water and sanitation services.

Arnold Karanja

Chairman, NCWSC BOD

VI. REPORT OF THE MANAGING DIRECTOR

Introduction

In financial year 2022/2023, Nairobi City Water and Sewerage Company continued with implementation of the fourth year of its 5th five-year rolling Strategic Plan 2019/2020 to 2023/2024. Guided by this plan, the company aspires to contribute effectively to both international and domestic water and sanitation goals on provision of adequate and quality water for all by the year 2030. Albeit a host of sporadic and frequent challenges such as the persistent negative impact arising from the aftermath of COVID 19 which hitherto, continue to destabilize business environment and landscape, gradual but devastating climatic change, low water sector investment and high operational costs and escalating Non- Revenue Water levels, the company has continuously evaluated its strategies to respond and align its business approaches to forestall the adverse water and sewerage services interruptions within the County of Nairobi. Below are highlights of performance per directorate during the review period.

Technical Directorate

The agility of the company to harness raw water for quality production, distribution and eventual collection, treatment and discharge of the resultant waste water defines its existence. Cognizant of this, the company has in place strategies to respond to both reactive and planned water treatment plants and appurtenances maintenance aimed at offering seamless services to customers. In the review period, the company sustained production level by maintaining its raw and treated water supply pipelines, cleaning of screens at the intakes and desilting, timely reactive maintenance of equipment and adhered to preventative maintenance schedules of plant and equipment to ensure optimal performance was sustained. In the review period (FY 2022/2023), 181million cubic meters of water was produced reflecting 2 million cubic meters' production increase from 179 million cubic meters produced in the financial year 2021/2022.

To improve and increase water coverage within the city, the company during the review year extended and rehabilitated a total of 25.4kms of water pipeline; 24kms and 1.4kms were rehabilitated in both formal and informal settlements respectively, reflecting partial increase of 0.4km from 25km of water pipeline extensions/rehabilitation achieved in the previous financial year.

A total of 11.3 kms of sewer line was extended/rehabilitated during the financial year 2022/2023.; 9.3 Kms were extended/rehabilitated in the formal settlement while 2Kms is the share of the sewer pipeline extended/rehabilitated in the informal settlements. This was an increase by 0.8Kms from 10.5Km of sewer pipeline extension/rehabilitated in the previous financial year 2021/2022.

The company's NRW performance during the year under review was 50%. To address this national chronic problem of high NRW, the company is leveraging on Information Technology and on the recently created national water police unit to curb against water theft besides strengthening and facilitating the operations of the established NRW department.

To maintain and ensure compliance of the quality of treated water, laboratories were adequately stocked with necessary detergents and chemicals. Quality monitoring through sampling and

testing of both pretreated and post treated water was efficiently carried out as per schedule. Consequently, during the period under review, the quality of water produced complied 100% to both World Health Organization and Kenya Bureau of Standards requirements.

To adequately address the ever growing high demand of water which surpasses the daily optimal production, the Company has in place an equitable distribution program. During the period under review, this program was enhanced through the monitoring of the four corridors of water supply through which, an average water supply constancy of 15.45 hours was achieved per supply-demand estimates against target of 15.86 translating to 97% achievement.

Environmental Sustainability

The Company remained accountable in sustaining environmental protection and sustainability by designing and implementing programs to mitigate against negative impact of climatic change to resonate with the global Sustainable Development Goals, and specifically SDG goal 13 (Climate Action). The Company in partnership with the catchment communities planted 44,000 number of tree seedling. Periodic environmental audits were conducted on sewerage conveyance pipelines as scheduled. Further, the company conducted environmental impact assessment on all approved projects in the company.

Commercial Directorate

During the period under review, the Company continued to identify and implement suitable service delivery innovations as well as enhancing the existing ones. To optimize on the emerging technology and innovation, the Company continued to enhance and update its customers' directory with a view of reaching out electronically via mobile phones and post customer bills, disconnection notices and settlement of bills. This has led to closure of most of cash offices in all business centers. Further, the Company managed 200% on adherence to customer service charter through follow up on customer complains resolution within Turn Around Time. The Company has continued to enhance migration of its customer base into the new customer management system (BASIS II). As at June 2023, the number of migrated water connections were 246,546. Billing and meter reading efficiencies posted during the period under review were 83.5% and 83% respectively. This was against the annual billing efficiency target of 94% and 95% meter reading efficiency.

Human Resource and Logistics Administration Directorate

The Company is committed to a program of staff development based on a goal of creating a conducive climate of professional growth and improving company operations efficiency by investing in staff competence growth. During the period against a target of training 3,500 No of staff 3,342 No were trained translating to 95% performance. The staff will cascade the skills acquired to their peers and hence boost productivity during the next financial year. To create supportive work environment and ensure compliancy to Operational, Health and Safety Act (OSHA) 2007, the company procured and issued personal protective clothing to all eligible staff. The company fleet was regularly maintained per schedule and fuelled to sustain effective service delivery.

Financial Services and Strategy Directorate

In the year under review, proper budgeting and budgetary control were put in place by adhering to prudent financial management and financial expenditure planning as per the approved annual budget of the financial year 2022/2023. The Company sustained safe custody and retrieving of financial documents as well as effective use of the company's funds and assets. Control on revenue collected was strengthened, monitored and reconciled daily. Consequently, during the period under review, the company's revenue collection improved by Ksh 0.5 billion, from Ksh 8.9 billion attained in the financial year 2021/2022 to Ksh 9.4 billion in the year 2022/2023.

Planning was effectively conducted through annual monitoring and evaluation of various business units against set targets as envisaged in the annual plans. During the period under review, Quarterly Performance Contract and Water and Sanitation Services Improvement Project (WaSSIP) data were compiled and submitted and annual Water Regulatory Information System (WARIS) data was as well timely submitted. On the overall, based on the 15th *impact* report, the Company's performance improved from 62/200 to 93/200.

Information Communication and Technology Directorate

In order to deliver efficiently, the acquisition of computer hardware and software was enhanced and the ICT usage and uptake enhanced. During the period, the company enhanced training of the users on the newly acquired system, BASIS II. The operations of Utility Master (UM), an ICT application were sustained which has since improved meter reading efficiency to 83% during the period of review. To ensure security of data, Offsite Backup, Data Replication (DR) and Cloud Backup implementation was sustained. In this regard, Oracle Financial and Mail are being replicated to the offsite DR center to ensure data security. The Company continued to uphold Research and Development activities during the period.

Legal and Company Secretary's Services Directorate

The Company upheld good practice of corporate governance. The board of directors which constituted of 11 members conducted their business to deliberate on policy matters. Regular backup on all the important documents were safely kept. A performance evaluation of the board was conducted during the period under review.

Managing Director's Directorate

In addition to the seven regions, there are seven departments (NRW, Security, Quality Assurance, ISO, Supply Chain, Corporate Affairs, and Liaison Office) that are directly under Managing Director. Performances of NRW and QAD are highlighted above under the technical directorate. The Liaison office majorly deals with coordination of Board of Directors' activities and external stakeholders especially the Nairobi City County. The performance progress of the rest the other functions reporting to MD's office are as highlighted below.

Corporate Affairs

The Company enhanced collaborative partnership and network with various stakeholders at National, International and Regional levels. Benchmarking visits were received by the Company from both local water service providers and international stakeholders.

Supply Chain

In line with Public Procurement and Disposal Act 2015, the Company diligently determined goods, works and services procured were subjected to the legal requirement procedures through procurement committee, before tender advertisements. All tender applications received by the Company were subjected to tender opening committee and eventually tender evaluations undertaken. To ensure quality of services, works, services and goods procured conformed to the required specifications, an evaluation is usually conducted. Procurement and Disposal committee meets on a quarterly basis to discuss on the best method of disposing idle assets that may exist in the Company.

Security

Company Infrastructure, Installations and offices were well guarded by the company internal security and outsourced government administration police security personnel. Security of assets was reinforced by installed security alarms and CCTV Cameras.

ISO

To sustain ISO 9001:2015 certification, during the period under review, the company upheld the Internal Quality Management Audits. Training of staff on quality management documentation procedures was conducted as per ISO 9001:2015.

Internal Audit and Risk Management Directorate

To continuously enhance effective performance, the Company has an internal audit and risk management function that checks on implementation and effectiveness of policies, systems and procedures and identifies risks and proposes on how they can be mitigated. This function reports to the office of the Managing Director administratively but functionally, it reports to audit and governance Board Committee. To enhance corporate governance, during the period under review, the directorate carried out Corruption Risk Assessment (CRA) and submitted a CRA report together with mitigation plans to Ethics and Anti-Corruption Commission (EACC) on core mandate of the organization and on loopholes and risks in various systems in the organization. Further, awareness creation on integrity among staff was enhanced and capacity building to ensure that the entire NCWSC fraternity moved along the same direction on corporate governance related issues.

CONCLUSION

Notwithstanding the main challenge of high NRW, I acknowledge and express my gratitude for invaluable support and collaboration by all the stakeholders. In particular, I strongly believe that with the stewardship and leadership of Nairobi City County (NCC), Ministry of Water & Sanitation and Irrigation and our Board of Directors (BoD), the Company will achieve better results in coming years. I also salute all the staffs for their commitment, hard-work and determination for continuous improvement in service delivery.

Eng. Nahason M. Muguna
Managing Director

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Nairobi City water and Sewerage Company Ltd has identified seven (7) strategic themes within its Strategic Plan for the FY 2019/2020- 2023/2024 in order to enhance the Company's performance and impact on its service delivery, as well as ensure growth and sustainability. These strategic themes are as follows:

- i. Water Sources, Treatment, Transmission and Distribution
- ii. Waste Water Networks, Conveyance and Treatment
- iii. Non-Revenue Water Management
- iv. Customer Focus and Stakeholder Engagement
- v. Governance and Institutional Capacity Development
- vi. Information & Communication Technology (ICT) and other Support Infrastructure
- vii. Financial Stewardship

In the 2022/23 financial year, the Company implemented its fourth year of the current Strategic Plan (2019/20 – 2023/24). Although a detailed performance analysis of the strategic implementation progress for the financial year 2022/2023 is still underway, broadly, the implementation achievement of the Strategic Plan as at the end of the 2021/22 FY is was at 63%. A progressive improvement from 55% to 63% realized in 2019/20 to 2021/22 is detailed per theme in the table below.

Table 1: Three Years' Implementation of 2019/20 – 2023/24 Strategic Plan

Themes	FY 2021/22	Remarks
THEME 1 -WATER SOURCES, TREATMENT, TRANSMISSION AND DISTRIBUTION	55%	Exploring funding through PPP
THEME 2-WASTE WATER NETWORKS, CONVEYANCE AND TREATMENT	48%	
THEME 3-NON-REVENUE WATER	53%	<ul style="list-style-type: none"> • Funding through AWWDA from French Development Agency (AFD). Procurement in Progress.

Themes	FY 2021/22	Remarks
		<ul style="list-style-type: none"> • NCWSC have actively participated in identification of the areas, planning and joint missions. • Exploring funding through PPP
THEME 4- CUSTOMER FOCUS & STAKEHOLDER ENGAGEMENT	73%	There has been upgrade of the Customer Complaint resolution tool with implementation and review of various workflows
THEME 5- GOVERNANCE AND CAPACITY DEVELOPMENT	73%	
THEME 6-ICT & OTHER INFRASTRUCTURE	77%	
THEME 7- FINANCIAL STEWARDSHIP	63%	Revenue collection was largely affected by COVID 19 restriction during the period.
OVERALL IMPLEMENTATION STATUS	63%	All service delivery was affected by inadequate funding and external issues like COVID 19 and climatical change etc.

The Strategic Plan is implemented through the annual Performance Contracts (PC) and the work plans. During 2022/23 FY under review, the implementation of PC was 83% as detailed in the table below which also shows quarterly performances. The performance in the PC is higher than the overall achievement in Strategic Plan as the former has targets that the Company has control of while the latter contains targets mostly relying on external factors, for instance 76% of the overall financial requirements in the strategic plan are from external sources.

Table 1: Summary of 2022/23 Annual and Quarterly Performance Contract Achievement

Period	% Performance	Raw Score	Composite Score	Performance Grade
Q4(April –June 2023)	94	3.122	2.625	Good
Q3(January – March 2023)	88%	3.248	2.840	Good
Q2 (Oct. – Dec. 2022)	87%	3.31	3.3021	Good
Q1 (July – September 2022)	72%	3.559	3.383	Fair
Cumulative (July 2022 – June 2023) Performance	83%	3.345	3.064	Good

VIII. CORPORATE GOVERNANCE STATEMENT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

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

ROLE OF THE BOARD

The Board is responsible for:

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

COMPOSITION OF THE BOARD

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

Roles of the Chair and the Managing Director

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

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

Board meetings/activities

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

Board remuneration

- i. The directors are entitled to a sitting allowance, lunch allowance and transport allowance for attending a duly convened and constituted meeting of the Board meeting, meeting of committees or of any official event/duties.

- ii. The chairperson receives a monthly honorarium.
- iii. Sustenance and sitting allowance is paid to non-executive directors for any day of travel from regular station in order to attend to duties of the company.
- iv. Medical insurance cover is provided to all non-executive directors for their individual medical requirements for both inpatient and outpatient.

A summary of Board meetings and attendance is shown below;

S/No.	Full Board	Meetings held while in office	No. of meetings attended
1.	Beryl Okumu	9	7
2.	Abdihakim Kahiya	5	1
3.	CEC/CCO - Finance	9	5
4.	Emmah Mukuhi	9	8
5.	Martin Mbichire	5	4
6.	Leonard Kamba	5	4
7.	CEC/CCO - Water	9	6
8.	Mohamed Abdullahi	5	4
9.	Timothy Muriuki	5	5
10.	Arnold Karanja	4	4
11.	Robow Mohamed	4	4
12.	Cedric Alaro	4	4
13.	Johnstone Mukabwa	4	4
14.	Muthoni Wamuiya	4	4

No.	Audit, Risk & Governance Committee	Meetings held while in office	No. of meetings attended
1.	Martin Mbichire Kuruga	1	1
2.	Emmah Mukuhi Muthoni	1	1
3.	Rosalind Murithi	1	1
4.	Leonard Okoth	1	0

S/No.	Technical, Commercial & ICT Committee	Meetings held while in office	No. of meetings attended
1.	Abdihakim Kahiya	1	0
2.	CEC/CCO - Finance	1	0
3.	Timothy Muriuki	1	1
4.	Emmah Mukuhi	1	1
5.	Leonard M. Kamba Kiiti	1	1

6.	CEC/CCO - Water	1	1
7.	Martin Mbichire Kuruga	1	0
8.	Mohamed Abdullahi	1	1

S/No.	Finance Committee	Meetings held while in office	No. of meetings attended
1.	CEC/CCO - Finance	6	4
2.	Mohamed Abdullahi	3	3
3.	Timothy Maceru Muriuki	3	2
4.	Emmah Mukuhi Muthoni	3	3
5.	CEC/CCO - Water	3	3

S/No.	Human Resource, Administration & Communication Committee	Meetings held while in office	Attended
1.	Abdihakim Kahiya	1	0
2.	Emmah Muthoni Mukuhi	3	3
3.	Leonard Kamba	3	3
4.	Martin Mbichire Kuruga	3	3
5.	Timothy M. Muriuki	3	3
6.	Mohamed Abdullahi	3	3
7.	Beryl Lilian Odinga	3	2
8.	CEC/CCO - Water	5	3
9.	Johnstone A. Mukabwa	2	2
10.	Robow Mohamed	2	2

Key achievements for FY2022/2023

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

1. Consideration and approval of the draft budget for FY2023/24
2. Consideration and approval of financial statements for FY2021/2022
3. Consideration and approval of draft procurement plan for FY2023/24

4. Continuous monitoring of performance against approved targets, budgets and procurement plans of the Company;
5. Participation and guidance in the ongoing tariff review;
6. Approval of a Collective Bargaining Agreement.

Board Induction and development

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

BOARD COMMITTEES

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

i) AUDIT, RISK AND GOVERNANCE COMMITTEE

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

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

- Internal Control and risk management including reviewing the risk philosophy, strategy and policies recommended by the Company. The Committee ensures compliance with such policies and with the overall risk profile of the Company.
- Reviewing financial information in particular annual financial statements to ensure compliance with accounting standards, legislation and other disclosure requirements.
- Reviewing the external auditors' proposed audit scope and approach and ensuring no unjustified restrictions or limitations have been placed on the scope.
Reviewing the function, operations and reports of the Internal Audit Directorate

ii) FINANCE COMMITTEE

The committee is composed of 3 board members.

The Committee assists the Board in discharging its responsibilities as follows:

- Consider and recommend for Board approval, the financial services policies for the Company.
- Receive and consider progress reports on financial services matters.
- Consider and recommend for Board approval, the financial budgets for the Company.
- Receives and considers periodic financial performance reports of the Company.
- Adjudicates on any financial policy matters referred to it by management.

- Ensures compliance at all times with the provisions of the Companies Act under which the Company is registered, Company's Memorandum and Articles of Association and the prevailing regulatory framework
- Provide advice and counsel to the Board as required on legal issues.
- Advise the Board on measures to be taken in order to comply with legal provisions as provided for by various pieces of legislation

iii) HUMAN RESOURCE, ADMINISTRATION AND COMMUNICATION COMMITTEE

The committee is composed of six (6) board members. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Reviewing and recommending for approval terms and conditions of service for Company employees including compensation philosophy, strategy, and guidelines; performance related pay schemes; retirement benefits;
- Handling policy issues and strategies on human resource and administration e.g. creation of a long term human resource skills and competency reservoir; succession planning; safety and physical working conditions
- Assisting and supporting the Board in the recruitment of senior management staff;
- Assisting the Board in fulfilling its obligations relating to human resource and compensation matters and establish a plan for continuity and development of staff;
- Recommending a performance evaluation process for the Chief Executive Officer and, when approved, leading the process in conjunction with the Board Chair;
- Reviewing major changes in the organization structure as proposed by the CEO and/or the Committee
- Ensuring that policies are developed and implemented to comply with all human resource-related standards, laws and regulations;
- Considering progress reports on human resource and administration issues and keeping the Board updated on fundamental human resource and administration issues affecting the Company;
- Ensuring effective company communication to the public that promotes correct corporate image and good stakeholder relations including the use of exhibitions, technical conferences, Company's publications and documentaries.

iv) TECHNICAL, COMMERCIAL AND ICT COMMITTEE

This is composed of seven (7) non-executive directors. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Reviewing all ICT, technical and commercial proposals from the management team that focus on improving water and sewerage services that would require Board's approval for implementation.
- Subject to all applicable laws, reviewing proposals for procurement of infrastructure, development and support.
- Deliberating on progress reports for projects being implemented by the NCWSC with a view to providing guidance to the management and the Board.

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

INTERNAL AUDIT FUNCTION

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

COMMUNICATION WITH SHAREHOLDERS/STAKEHOLDERS

The Company is committed to:

- Ensuring that shareholders and stakeholders are provided with full and timely information about its performance.
- Complying with the statutory and regulatory communication requirements.
- Distributing information to the shareholders/stakeholders through the periodic reports and stakeholder forums.

DIRECTORS' BENEFITS AND LOANS

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

DIRECTOR _____ DATE: ____ SEPTEMBER 2023

MANAGING DIRECTOR _____ DATE: ____ SEPTEMBER 2023

IX. MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

Nairobi City Water & Sewerage Company (NCWSC) Ltd mandate is to provide clean water and sewerage services to the residents of Nairobi City County, in a financially sustainable manner and within Government regulations and reaches her customers through seven administrative regions, namely Northern, Eastern, North Eastern, Central, Southern, Western and Informal Settlements region. These regions are further sub-divided into 28 sub-business units (zones) and sub-zones.

Structurally, the Company is headed by the Managing Director, who reports to the Board of Directors (BOD). The Managing Director provides overall leadership and chairs the Board of Management (BOM) which comprises all heads of eight directorates of the company namely, one of which is headed by the MD;

- i. Technical Directorate
- ii. Commercial Directorate
- iii. Finance and Strategy Directorate
- iv. Directorate of Human Resource and Administration
- v. Managing Director's Directorate
- vi. Information Communication and Technology Directorate
- vii. Company Secretary
- viii. Internal Audit and Risk Management Directorate

Under the above named directorates, the Company structure is reinforced by several business process units which are headed by respective Business Process Owners (BPOs) with a mandate of overseeing actualization of the company mission.

Broadly, the Company operations are anchored on strategic business plan which is normally designed to resonate with the international development frameworks like Sustainable Development Goal (SDG) number six, Kenyan economic blue print -Vision 2030, 2021 National Water Sector policy and Nairobi City County (NCC) water development plans and any other existing water and sanitation sector policies. In addition, the company's annual performance is guided and monitored on quarterly basis through negotiated and signed annual Performance Contract (PC) between the Company and its principal.

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Nairobi City Water & Sewerage Company Ltd (NCWSC) as mandated provides clean water and sewerage services to the residents of Nairobi City County, in a financially sustainable manner recognizing that environmental impact reduction and environmental conservation are crucial priorities in order to achieve universal and equitable access to safe and affordable drinking water for all by 2030.

i. Environmental performance

The environmental policy aims at ensuring sustainability and clean environment through treating of sewage to acceptable standards, tree planting and enforcing pre-treatment of industrial waste into the public sewers.

This has led to increased volume of sewage treated from 80,000 m³ in FY 2018/19 to 200,000 m³ in FY 2022/23, compliance level of 95% attained against the standards for the parameters analyzed, increased the number of trade facilities and industries with pre-treatment plants from 400 in 2018/19 to 850 in 2022/23, average 250,000 no. of trees planted between FY 2018/19 to FY 2022/23 and Public Private Partnerships (PPP) with Community Based Organizations (CBOs) and private companies like BAT.

The Company manages biodiversity through planting of various types of trees ie both exotic and indigenous, bamboo and vetiver grass. Other than the Dandora Estate Treatment Works (DESTW) ponds being host to various species of birds like fishing birds and swans, it is also a habitat for crocodiles and hippos.

ii. Corporate social Responsibility Statement

Our Corporate social responsibility is driven by the awareness of the need to substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, substantially reduce the number of people suffering from water scarcity and improve water quality by reducing pollution, advocating against dumping and release of hazardous chemicals and materials, ensuring total management and treatment of sewerage in our area of operation and globally through sanitation advocacy campaigns.



School children pose with tank donated by NCWSC

In view of the above, we have rolled out elaborate coordinated environmental conservation programs aimed at achieving a minimum of 10% plant cover in our region which is a national target as well as averting harsh climatic conditions which if successful will ensure sustainability in provision of water to Kenyans. We have as well been donating water tanks (**10,000 litres**) to strategic groups such as schools, health facilities and youth and women groups through area Members of the County Assembly (MCAs). This assists in water conservation as well as educating them on the importance of environmental and water conservation.



NCWSC Staff collaborate with the community to plant trees at the Sasumua dam catchment area.

We endeavor continuing to strengthen our corporate governance structure with the aim of enhancing management transparency and monitoring. Furthermore, we will strive to increase our corporate value through compliance with all laws, regulations and rules governing our corporate activities.

We are aware that corporate responsibility starts with a belief that what you do is important to society. This belief is at the heart of our company.

iii. Employee Welfare

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

Appraisals are done bi-annually to evaluate employee performance and in career management employees who improve their skills are rewarded through promotions and basic salary increment in accordance to HR Policy and Procedure Manual. Employees registered with professional bodies are facilitated to earn their annual continuous professional development (CPD) points in order to keep up with the emerging issues and the best practices in the job market.

XI. DIRECTORS' REPORT

The Current Board of Directors was appointed on 26th April 2023. The Board of Directors submits the report for the year ended 30th, June 2023, which shows the state of the Company's affairs.

i. INCORPORATION

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

ii. PRINCIPAL ACTIVITY

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

iii. RESULTS

Results for the year ended 30 June 2023 are summarized below:

	2023	2022
	KSHs	KSHs
Deficit for the Year	(854,041,707)	(84,714,791)

iv. DIVIDENDS

The Company does not recommend the payment of a dividend in respect of the year ended 30th June 2023 as per the provisions of the Water Act 2016, section 131(3).

v. FINANCIAL STATEMENTS

As at the date of this report, there are no circumstances, which would have rendered the values attributed to the assets in the financial statements misleading.

vi. DIRECTORS' BENEFITS

Since the last Annual General Meeting of the Company to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts received under employment contract for the Managing Director. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed in notes 15 and 31.

vii. INDEPENDENT AUDITORS

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

By order of the Board



Assumpta M. Reuben
Company Secretary

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

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

Adverse Opinion

I have audited the accompanying financial statements of Nairobi City Water and Sewerage Company Limited set out on pages 3 to 83, which comprise of the statement of financial position as at 30 June, 2023, the statement of profit or loss and other

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Nairobi City Water and Sewerage Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and do not comply with Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.854,041,707 which decreased the revenue reserves from a negative balance of Kshs.8,653,100,445 as at 30 June, 2022 to a negative balance of Kshs.9,507,142,152 as at 30 June, 2023. Further, the Company's current liabilities balance of Kshs.6,687,310,010 exceeded its current assets balance of Kshs.4,846,375,509, resulting in a negative working capital of Kshs.1,840,934,501. The Company is technically insolvent and may not be able to meet its current obligations as and when they fall due.

In the circumstances, the going concern of the Company could not be confirmed.

2. Inaccuracies in Revenue

The statement of profit or loss and other comprehensive income reflects operating income amount of Kshs.10,309,017,771 as disclosed in Note 6 to the financial statements. The following inaccuracies were noted;

2.1 Operating Revenue

Included in operating income amount of Kshs.10,309,017,771 is Kshs.10,033,152,859 collected in respect of water sales, sewer services and meter rent during the year under review. The revenue was collected through three (3) systems namely, Basis II, CMS and Jisomee of Kshs.9,515,917,680, Kshs.442,251,046 and Kshs.74,984,133 respectively. However, re-computation of revenue reported in the schedules for Basis II system indicated that total revenue amounted to Kshs.9,517,484,208, resulting in an unreconciled variance of Kshs.1,566,528.

2.2 Revenue from Other Services

Note 6 to the financial statements reflects income relating to billing for other services amount of Kshs.275,864,912. Included in the amount are bills totalling to Kshs.1,197,160

relating to various accounts described as non-billed customers with no meters, meter readings and consumption but positive bills which could not be traced to the gazetted water tariff structure.

2.3 Meter Readings with Negative Consumption Volumes

Note 6 to the financial statements reflects water sales amount of Kshs.5,492,457,913. However, analysis of Basis II revenue schedules revealed accounts with 114,607 m³ of actual meter readings with negative consumption volumes and positive bills amounting to Kshs.4,140,442. This may have led to misstatements of the revenue by Kshs.4,140,442.

2.4 Meter Readings with Negative Bills

As disclosed in Note 6 to the financial statements, the Company earned Kshs.5,492,457,913 from water sales. Analysis of Basis II revenue schedules revealed accounts with 4,271 m³ of actual meter readings and positive consumption volumes but negative bills amounting to Kshs.1,119,296. This may have resulted in understatement of revenue by Kshs.1,119,296.

2.5 Negative Balance in Jambo Pay Formal Sector

Review of records revealed that the Company received Jambo pay services from two (2) Jambo pay accounts. As at 30 June, 2023, Jambo pay Formal Sector had a negative balance of Kshs.647,484 and Jambo pay Mashinani/Jisomee had a balance of Kshs.9,602,418. The negative balance in respect of Jambo pay Formal Sector has not been explained.

In the circumstances, the accuracy and completeness of the operating income amount of Kshs.10,309,017,771 could not be confirmed.

3. Inaccuracies in Licensing, Lease and Levy Expenses

The statement of profit or loss and other comprehensive income reflects general and operational expenses of Kshs.3,221,920,178 as disclosed in Note 11 to the financial statements. Included in the amount is licensing, lease and levy expenses of Kshs.1,246,462,687, out of which an amount of Kshs.98,200,018 was billed by Water Resources Management Authority (WARMA) for 196,400,036 m³ of water abstracted. The amount billed differs with the reported production of 180,816,151 m³ or Kshs.5,492,457,913, resulting in an unreconciled variance of 15,583,885 m³ or Kshs.473,360,507.

In the circumstances, the regularity, accuracy and completeness of the licensing, lease and levy expenses of Kshs.1,246,462,687 could not be confirmed.

4. Trade and Other Receivables - Unsupported Customer Management System (CMS) Billing

The statement of financial position reflects trade and other receivables balance of Kshs.4,023,894,957 as disclosed in Note 20 to the financial statements. As disclosed in

the Note, gross trade receivables balance is Kshs.9,568,193,768, out of which Kshs.4,930,740,341 is in respect of CMS billings for 103,332 accounts as supported by schedules. Information provided by Management indicates that CMS billing was decommissioned, is no longer in use and the customers transferred to the new system called Basis II. Management further explained that the transfer was not effected due to unknown locations of the accounts. It was however noted that the same customers are billed outside the system and the receivables amount in regards to the CMS billing continues to increase.

In the circumstances, the accuracy, completeness and the recoverability of the trade and other receivables balance of Kshs.4,023,894,957 could not be confirmed.

5. Unsupported Grant Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects grant income amount of Kshs.205,211,944. However, the amount was not supported by any documentation including agreements and usage.

In the circumstances, the accuracy and completeness of the grant income amount of Kshs.205,211,944 could not be confirmed.

6. Inaccuracies in Property, Plant and Equipment

6.1 Failure to Revalue Fully Depreciated Assets in Use

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.3,383,858,130. However, the amount excludes the values of 166 plant and machinery, 369 motor vehicles and motor cycles, 3,276 items of equipment, 52 computers and 2,864 items of furniture and fittings which have been fully depreciated yet in use and have not been revalued.

6.2 Unsupported Land Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.3,383,858,130. However, the balance excludes the undetermined value of land at Ndakaini dam, Kariobangi sewerage plant and two (2) parcels at Ruai sewerage plants measuring 90 hectares and 1,272.90 hectares respectively. Further, physical verifications revealed that the land at Ndakaini dam was encroached by private developers including the construction of a recreational centre. In addition, ownership documents for the land at Kariobangi sewerage plant and the two (2) parcels at Ruai sewerage plants were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of the assets with a net book balance of Kshs.3,383,858,130 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City Water and Sewerage Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled

other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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

Prior Year Unresolved Issues

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed on the Basis for Adverse Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Revenue Water

Review of documents provided for audit revealed that the Company produced 180,816,151 m³ of water during the year. However, analysis of total billed quantities in respect of Basis II revealed production of 70,341,331 m³, CMS system of 3,307,241 m³ and Jisomee system of 1,088,295 m³, all totalling 74,736,867 m³, resulting to Non-Revenue Water amounting to 106,079,284 m³ or 59% of the total production. This could have resulted into a loss in revenue amounting to Kshs.3,240,550,168. Further, physical inspection done in February, 2024 at Sasumua Dam and treatment works, Ndakaini Dam, Ngethu treatment works, Kabete treatment works, Kabete reservoir and Gigiri reservoir revealed the following anomalies;

- i. Management explained that water from Sasumua dam and treatment works is transmitted to Kabete treatment works for distribution. Review of records revealed that Kabete receives 34,600 m³ of water daily from Sasumua dam and treatment works, giving a total of 12,629,000 m³ in a year. Further, production records at Sasumua dam and treatment works indicated that total production during the year

was 21,186,532 M³. The variance between the two sets of information of 8,557,532 m³ represents approximately 5% of production, equivalent to Kshs.274,622,895 which could not be accounted for.

- ii. Review of records provided revealed that during the year under review, Gigiri reservoir received a total of 81,788,166 m³ for distribution, whereas Ngethu treatment works produced 151,072,881 M³. The variance of 69,284,715 m³ or 38% of production equivalent to Kshs.2,104,587,339 was not accounted for.

The 59% non-revenue water was above the allowable loss of 25% set by Water Services Regularity Board (WASREB) Guidelines and may have resulted into loss of sales estimated at Kshs.3,240,550,168.

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

2. Delays in Completion of Projects

Review of projects implementation status report revealed that sixty-one (61) projects with a total contract cost of Kshs.1,454,125,121 had not been completed as at 30 June, 2023. The amount comprised of thirteen (13) projects with a cost of Kshs.12,431,941 which are being undertaken by the Company and forty-eight (48) projects with a total cost of Kshs.1,441,693,180 being undertaken by contracted firms. The projects were started on various dates between 2014 and 2022 with projects periods ranging between six (6) months and two (2) years. However, the projects have not been completed and are in various stages of completion ranging from 30% to 90%.

In the circumstances, the value for money on projects valued at Kshs.1,454,125,121 could not be confirmed.

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

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

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

- iii. The project had not been fully implemented since the licenses were not in use despite the fact that the six months' implementation time had elapsed.

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

4. Irregularities in Management of Staff Costs

The statement of profit or loss and other comprehensive income reflects personnel costs of Kshs.6,974,281,617 as disclosed in Note 9 to the financial statements. The following observations were made;

4.1 Payment of Overtime Allowances

Included in staff costs amount of Kshs.6,974,281,617 is overtime allowance of Kshs.478,495,345. Review of records revealed that 393 employees were paid overtime allowances for 12 consecutive months amounting to Kshs.167,658,495 despite the human resource policy directing 30 days leave within a financial year. This implies that the staff worked throughout the year on normal hours and overtime. This was contrary to Employment Act, 2007 where an employee is entitled to an annual leave each year.

4.2 Staff Acting for More than Six Months

Review of the payroll revealed that there were fifty-eight (58) members of staff who had acted for more than six (6) months. This was contrary to Section 5 of the Company's Human Resource Policy Manual that required a staff to act for maximum period of six (6) months or as determined by appointing authority. The staff were paid a total of Kshs.18,450,154 in acting allowance for the period they were acting.

4.3 Unsustainable Wage Bill

The statement of profit or loss and other comprehensive income reflects operating income of Kshs.10,309,017,771 and staff costs of Kshs.6,974,281,617 as disclosed in Note 6 and 9 to the financial statements respectively. Therefore, Company's salaries stood at 68% of the operating income. This was contrary to Section 107(1) of the Public Finance Management Act, 2012 which provides that the County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in Sub-Section (2), and shall not exceed the limits stated in the regulations. The limit set under Paragraph (a) above, shall not exceed thirty-five (35) percent of the entity's total revenue.

4.4 Unjustified Bonus Payments

Note 9 to the financial statements reflects bonus payments of Kshs.21,900,438. However, the Company reported a loss of Kshs.854,041,707 hence did not justify payment of bonus.

4.5 Non-Compliance with the Persons with Disabilities Act, 2003

Review of the payroll records revealed that only forty-three (43) employees out of 3,117 were in the category of persons with disabilities. They constituted only 1.37% of the total

employees which was below the recommended level of 5% under, contrary to Section 13 of the Persons with Disabilities Act, 2013 which provides that the Council shall endeavor to secure the reservation of five percent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

4.6 Non-Compliance with National Cohesion and Integration Act, 2008 on Ethnic Diversity

Review of payroll records provided for audit revealed that the Company had 3,117 members of staff as at 30 June, 2023. Review of the staff register for the month of June, 2023 showed that 1,402 representing 45% of the total staff were from one ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, the effectiveness in the management of staff costs could not be confirmed and Management was in breach of the law.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Use of End of Life (EoL) Microsoft Operating Systems

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

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 matters reported in the Basis for Adverse Opinion, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have not been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are not in agreement with the accounting 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 controls.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 April, 2024

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act 2015 section 147 and The Public Finance Management Act (PFM), 2012 section 164 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, as at the end of the financial year and of its operating results for the year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

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

The company financial statements were approved by the Board of Directors on ___ September 2023 and signed on its behalf by;

A. KARANJA
CHAIRMAN

ENG. NAHASON M. MUGUNA
MANAGING DIRECTOR

XIII. THE AUDITOR-GENERAL'S REPORT ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED



**XIV. STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE
 2023**

	Note	2023	2022
			Restated
REVENUE		Kshs	Kshs
Operating Income/Revenue	6	10,309,017,771	9,137,627,264
Grant Income	7	205,211,944	1,126,848,447
Other Income	8	264,645,873	382,608,201
Total		10,778,875,588	10,647,083,912
EXPENSES			
Staff costs	9	6,974,281,617	6,087,532,959
Board Expenses	10	92,382,851	93,102,484
General & Operational expenses	11	3,221,920,178	3,177,281,798
Maintenance expenses	12	314,798,463	316,682,914
Other expenses	13	963,372,151	987,310,125
Total		11,566,755,260	10,661,910,280
Surplus Before Interest & Tax		(787,879,672)	(14,826,368)
Finance costs	14	66,162,035	69,888,423
SURPLUS BEFORE TAX	15	(854,041,707)	(84,714,791)
Net deficit for the year		(854,041,707)	(84,714,791)

XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

ASSETS	NOTE	2023	2022
			Restated
NON- CURRENT ASSETS		Kshs	Kshs
Property, plant and equipment	17	3,383,858,130	3,438,435,365
Intangible assets	18	48,678,453	76,840,091
		3,432,536,583	3,515,275,456
CURRENT ASSETS			
Inventories	19	434,672,965	417,742,552
Trade and other receivables	20	4,023,894,957	3,317,669,639
Cash and Cash equivalents	21	387,807,587	753,171,211
		4,846,375,509	4,488,583,402
TOTAL ASSETS		8,278,912,092	8,003,858,858
CURRENT LIABILITIES			
Trade and other payables	27	5,018,491,082	4,362,894,251
Customers with credit balances	28	275,556,190	308,447,037
Provisions for Leave	29	317,992,007	231,327,476
Borrowings	26	150,296,039	149,287,233
Amounts due to related parties	30	924,974,692	924,974,692
		6,687,310,010	5,976,930,689
NET ASSETS		1,591,602,082	2,026,928,169
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share Capital	22	100,000	100,000
Revenue Reserve	23	(9,507,142,152)	(8,545,681,252)
Capital Grant	24	1,470,778,880	1,631,290,528
		(8,036,263,272)	(6,914,290,724)
NON-CURRENT LIABILITIES			
Customer deposits	25	1,164,088,623	1,101,366,075
Borrowings	26	165,589,391	234,105,448
Amounts due to related parties	30	8,298,187,340	7,605,747,370
		9,627,865,354	8,941,218,893
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1,591,602,082	2,026,928,169

The financial statements on pages 3 to 35 were approved by the Board of Directors on _____ September 2023.

Arnold Karanja
Chairman

Eng. Nahason M. Muguna - Managing Director

ICPAK No. _____
CPA Paul E. Omondi
Finance & strategy Director

XVI. STATEMENT OF CHANGES IN EQUITY AS AT 30TH JUNE 2023

	Notes	Share Capital	Revenue Reserve	Capital Grant	Restated Total
		Kshs	Kshs	Kshs	Kshs
As at 30th June 2021		100,000	(6,028,570,267)	1,642,978,883	(4,385,491,384)
Prior year adjustments	32		(2,432,396,194)		(2,432,396,194)
Restated balance		100,000	(8,460,966,460)	1,642,978,883	(6,817,887,578)
Amortization				(193,775,766)	(193,775,766)
Additions for the year				182,087,411	182,087,411
Surplus for the year	15		(84,714,791)		(84,714,791)
As at 30th June 2022		100,000	(8,545,681,252)	1,631,290,528	(6,914,290,724)
Prior year adjustments	32		(107,419,193)		(107,419,193)
Restated balance		100,000	(8,653,100,445)	1,631,290,528	(7,021,709,917)
Amortization				(193,775,766)	(193,775,766)
Additions for the year				33,264,118	33,264,118
Deficit for the year	15		(854,041,707)		(854,041,707)
As at 30th June 2023		100,000	(9,507,142,152)	1,470,778,880	8,036,263,272

XVII. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30th JUNE 2023

	NOTE	2023	2022
Operating activities:		Kshs	Kshs
Cash generated from operations	33	202,109,387	682,756,468
Interest paid	14	(66,162,035)	(69,888,423)
Net cash generated from operating activities		135,947,352	612,868,045
Cash flow from investing activities:			
Purchase of property, plant and equipment	15	(458,719,156)	(639,151,225)
Purchase of intangible assets	16	(8,348,694)	
Net cash used in investing activities		(467,067,850)	(639,151,225)
Cash flow from financing activities:			
Proceeds from long-term borrowings		102,874,657	90,860,253
Proceeds from financing assets	24	33,264,118	182,087,411
Repayment of long-term borrowings		(170,381,901)	(78,615,133)
Net cash generated from financing activities		(34,243,126)	194,332,531
Net increase/(decrease) in cash and cash equivalents		(365,363,624)	168,049,351
Movement in cash and cash equivalents:			
As at 1st July		753,171,211	585,121,860
Decrease/Increase		(365,363,624)	168,049,351
As at 30th June	21	387,807,587	753,171,211

XVIII. XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original Budget	Adjusted budget	Actual on comparable basis	Performance 2022/2023	%
REVENUE					
Water	7,409,154,000	7,409,154,000	5,492,457,913	1,916,696,087	-26
Sewerage	5,515,841,000	5,515,841,000	4,366,467,184	1,149,373,816	-21
Meter Rent	218,096,000	218,096,000	174,227,762	43,868,238	-20
Other income	596,048,861	596,048,861	734,286,551	-138,237,690	23
Operating Income	13,739,139,861	13,739,139,861	10,767,439,410	2,971,700,451	-22
Grant Income	60,000,000	60,000,000	11,436,178	48,563,822	-81
Total Revenue	13,799,139,861	13,799,139,861	10,778,875,588	3,020,264,273	-22
EXPENDITURE					
Staff Costs	6,716,006,594	6,735,506,594	6,974,281,617	-238,775,023	-4
Board Expenses	90,000,000	95,001,200	92,382,851	2,618,349	3
Operations	3,664,071,000	3,714,322,240	3,221,920,178	492,402,062	13
Maintenance	672,500,000	597,747,560	314,798,463	282,949,096	47.34
Financing Costs	65,000,000	65,000,000	66,162,035	-1,162,035	-2
Other Expenses	944,929,000	944,929,000	963,372,151	-18,443,151	-1.95
Total Operating Exp	12,152,506,594	12,152,506,594	11,632,908,894	519,597,703	4.28
Net Income	1,646,633,267	1,646,633,267	(854,041,707)	2,500,674,974	(151)

XIX. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2023

1. General information

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

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

2. Statement of compliance and basis of preparation

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

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

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

Going Concern

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

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

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Company does not issue insurance contracts.</i></p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p>This has not had any effect on the financial statements for the year ended</p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>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.</p> <p>This has not brought any changes to the accounting policies disclosed.</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to	The amendments, applicable to annual	The amendments are

IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	effective for annual periods beginning on or after January 1, 2023.
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ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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

	right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	
--	--	--

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022/2023

4. Summary of significant accounting policies

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

a) Property, plant, equipment and depreciation

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

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

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

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

Asset Class	Rate
Buildings & civil works	2.5%
Plant & Machinery	12.5%
Motor Vehicles, including motorcycles	25%

Equipment	12.5%
Computer & Related Equipment's	30%
Furniture & Fittings	12.5%

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

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

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

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

b) Financial instruments

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

c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities. The following specific recognition criteria must be met before revenue is recognized.

i) Provision of water and sewerage services

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

ii) Meter rent income

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

iii) Other income

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

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

iv) Grants

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

v) 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.

d) Intangible assets

The costs incurred to acquire and bring to use specific computer software licenses are capitalized. The costs are amortized on a straight line basis over the expected useful lives (3 1/3 years) at the rate of 30% per year.

e) Amortisation and impairment of intangible assets

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

f) Inventories

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

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

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

g) Foreign currency transactions

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

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

h) Trade and other receivables

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

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

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

i) Employee benefits

i) Pension obligations

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

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

ii) Other employee entitlements

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

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

j) Capital grant

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

k) Provisions

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

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

l) Taxation

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

m) Cash and cash equivalents

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

n) Trade and other payables

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

o) Leases

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

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

p) Interest bearing borrowings

All borrowings are recognized at cost. Borrowing costs are expensed as finance costs.

q) Revenue reserve

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

r) Customer deposits

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

s) Related parties

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

t) Provision for overtime

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

u) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 3rd June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of budget following the governing body's approval. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement

of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under budget comparison of these financial statements.

v) Comparative figures

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

w) 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, 2023.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

i) Critical accounting estimates and assumptions

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

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

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

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

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

6. OPERATING INCOME

	2023	2022
	Kshs	Kshs
Water sales	5,492,457,913	4,791,324,484
Sewer services	4,366,467,184	3,985,823,376
Meter rent	174,227,762	162,886,017
Billing for other services	275,864,912	197,593,387
Total	10,309,017,771	9,137,627,264

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

7. GRANT INCOME

	2023	2022
	Kshs.	Kshs
Operational grants from other agencies	11,436,178	933,072,681
Capital grants amortized/Grant Amortization	193,775,766	193,775,766
Total	205,211,944	1,126,848,447

The Company received grant/funding from World Bank as Conditional Liquidity Support Grant CLSG (kshs); 2022 (kshs 933,072,681).

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022
WSTF		00		933,072,681	933,072,681
KURA			53,412,413	53,412,413	53,412,413
KENHA		6,592,285.75	62,088,743	62,088,743	62,088,743
UNICEF		26,671,832.40	66,586,255	66,586,255	66,586,255
Total		33,264,118	182,087,411	1,115,160,091	1,115,160,091

8. OTHER INCOME

	2023	2022
	Kshs	Kshs
Insurance compensation	23,886,089	108,994,738
Bad debts recovery	234,615,359	268,094,155
Rental income	266,525	82,825
Other non-billing income	1,259,903	5,436,483
Interest Income	4,617,997	
Total	264,645,873	382,608,201

9. STAFF COSTS

	Note	2023	2022
		Kshs	Restated Kshs
Salaries and wages		3,452,595,636	3,018,657,475
House allowances		831,920,146	784,988,058
Leave allowances		221,265,218	206,350,404
Bonus		21,900,438	22,796,169
Overtime		478,495,345	359,762,037
Retirement benefits	34	767,129,027	672,507,106
Other allowances		671,883,439	590,175,443
Medical expenses		408,669,838	362,070,636
Leave pay provision		86,664,531	40,075,065
Welfare		33,757,999	30,150,566
		6,974,281,617	6,087,532,959

The average number of employees at the end of the financial year was 3,117, (2022:3,143). The average per category is indicated below;

Grade	Category	Average Number	
		2023	2022
1	Managing Director	1	1
2	Functional Directors	4	2
3	Departmental/Regional managers	29	29
4	Co-ordinators	111	109
5	Officers	227	197
6	Supervisors	602	568
7	Unionizable staff	672	662
8	Unionizable staff	1,365	1,466
9	Unionizable staff	106	109
Grand Total		3,117	3,143

10. BOARD EXPENSES

Description	2023	2022
	KShs	Restated KShs
Chairman Honoraria	766,574	1,044,000
Sitting allowances	11,796,000	16,131,441
Medical Insurance	521,302	829,302
Induction and Training	15,008,926	8,602,560
Travel and accommodation	62,576,850	66,495,181
Other Allowances	1,713,199	
Total Board Expenses	92,382,851	93,102,484

11. GENERAL AND OPERATIONAL EXPENSES

	2023	2022
	Kshs	Kshs
Chemicals	254,349,592	183,760,577
Office supplies	45,818,783	38,704,352
Tyres and related accessories	28,203,064	21,471,698
Fuel, oil and lubricants	140,816,926	99,750,317
Uniforms and protective clothing	35,999,602	23,378,017
Electricity	408,938,262	311,875,967
Telecommunications	63,522,373	56,585,077
Postal and couriers	255,236	529,810
Water and conservancy	7,619,114	891,700
Insurance	128,526,640	118,613,347
Rent and rates	79,368,650	75,306,541
Hire of equipment and Vehicles	739,920	2,434,900
Claims, damages and compensation	63,191,377	85,945,825
Traveling and subsistence- local	256,079,596	245,017,193
Bank charges	6,445,833	8,093,614
Traveling and subsistence- External	77,825,491	60,018,051
Staff training and development	149,340,151	185,449,983
Security	90,326,000	72,356,630
Commissions	1,565,036	1,688,760
Publicity and advertising	8,051,180	4,493,308
Donations/Corporate Social Responsibility	536,000	200,000
Sports and recreation	19,256,781	47,070,845
Library	77,081	35,593
AGM Expenses	1,000,000	0
Audit fees	3,988,821	3,552,830
Legal fees	36,374,264	32,801,679
Consultancy	9,510,392	1,835,838
Licensing, lease and levy	1,246,462,687	1,424,040,212
Research and development	918,810	
Stakeholders expenses	56,812,516	71,379,134
Total	3,221,920,178	3,177,281,798

12. MAINTENANCE

	2023	2022
	Kshs	Kshs
Ground	6,138,695	8,664,002
Wayleaves & Catchment areas	97,070	
Plant and machinery	43,796,787	37,998,549
Buildings	3,034,268	6,220,737
Equipment	20,125,532	17,868,078
Motor vehicles	42,187,307	49,541,429
Furniture and fittings	18,310	315,552
Software	45,427,972	9,196,789
Water fittings and accessories	141,666,547	172,210,085
Water meters	12,305,976	14,667,693
Total	314,798,463	316,682,914

13. OTHER EXPENSES

	Note	2023	2022
		Kshs	Kshs
Provision for bad and doubtful debts	20	413,565,435	439,037,813
Depreciation of property, plant and equipment	15	513,296,384	510,136,699
Amortization of intangible assets	16	36,510,332	38,135,612
Total		963,372,151	987,310,124

14. FINANCE COSTS

	2023	2022
	Kshs	Kshs
Interest on loan	39,083,241	44,087,687
Interest on overdraft		0
Interest on deposits	27,078,794	25,800,736
Total	66,162,035	69,888,423

15. SURPLUS BEFORE TAX

	2023	2022
	Kshs	Kshs
The surplus before tax is stated after charging:		
Depreciation of property, plant and equipment	513,296,384	510,136,699
Amortization of intangible assets	36,510,332	38,135,612
Directors' emoluments:		
-Fees	92,382,851	93,102,484
-Other emoluments		
Auditors' remuneration	3,552,830	3,552,830
Retirement benefits		672,507,106
Interest expense	66,162,035	69,888,423
And after crediting:		
Other income	(264,645,873)	(382,608,201)

16. TAXATION

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

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

17. PROPERTY, PLANT AND EQUIPMENT

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

PROPERTY, PLANT AND EQUIPMENT

COST	PLANT & MACHINERY		MOTOR VEHICLES		COMPUTER & RELATED EQUIPMENT	FURNITURE & FITTINGS	WIP	TOTAL
	BUILDINGS	MACHINERY	VEHICLES	EQUIPMENT				
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
As at Jul 2021	113,978,149	3,668,349,854	453,406,896	1,011,210,258	575,181,158	161,369,478	674,617,558	6,658,113,351
Additions at cost		4,939,219	54,642,759	38,629,889	5,015,010	16,345,787	519,578,560	639,151,224
Reclassification	723,993	192,892,443					(193,616,436)	0
Disposal								
As at June 2022	114,702,142	3,866,181,516	508,049,655	1,049,840,147	580,196,168	177,715,265	1,000,579,682	7,297,264,575
Depreciation at 1 Jul 2021	11,764,521	1,432,073,008	422,668,461	810,849,967	544,176,207	127,160,347	-	3,348,692,511
Charge for the year	2,849,454	410,770,603	15,669,253	54,388,914	15,675,194	10,783,281		510,136,699
Accumulated Depreciation	14,613,975	1,842,843,611	438,337,714	865,238,881	559,851,402	137,943,628		3,858,829,211
NBV AS AT 30 JUN 2022	100,088,166	2,023,337,905	69,711,940	184,601,267	20,344,767	39,771,637	1,000,579,682	3,438,435,365
As at Jul 2022	114,702,142	3,866,181,516	508,049,655	1,049,840,147	580,196,168	177,715,265	1,000,579,682	7,297,264,575
Additions at cost	0	28,385,405	22,226,542	34,774,471	15,724,039	18,230,577	339,378,115	458,719,149
Reclassification		108,925,192					(108,925,192)	0
Disposal								
As at June 2023	114,702,142	4,003,492,113	530,276,197	1,084,614,618	595,920,207	195,945,842	1,231,032,605	7,755,983,724
Depreciation at 1 Jul 2022	14,613,975	1,842,843,611	438,337,714	865,238,881	559,851,401	137,943,628	0	3,858,829,210
Charge for the year	2,849,454	407,138,212	26,204,517	52,513,245	13,941,749	10,649,207		513,296,384
Accumulated Depreciation	17,463,429	2,249,981,823	464,542,231	917,752,126	573,793,151	148,592,835	0	4,372,125,595
NBV AS AT 30 JUN 2023	97,238,713	1,753,510,291	65,733,966	166,862,492	22,127,057	47,353,007	1,231,032,605	3,383,858,130
NBV AS AT 30 JUN 2022	100,088,166	2,023,337,905	69,711,940	184,601,267	20,344,767	39,771,637	1,000,579,682	3,438,435,365
Value of fully depreciated Assets								

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

18. INTANGIBLE ASSETS

	2023	2022
Computer software:-	Kshs	Kshs
COST		
At 1 July	280,913,657	280,913,657
Additions	8,348,694	0
At 30 June	289,262,351	280,913,657
AMORTIZATION		
At 1 July	204,073,566	165,937,954
Charge for the year	36,510,332	38,135,612
At 30 June	240,583,898	204,073,566
Net book value at 30th June	48,678,453	76,840,091

19. INVENTORIES

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

	2023	2022
	Kshs	Kshs
Water treatment Chemicals & Lab equipment/apparatus	57,383,178	67,977,006
Office Supplies	19,231,953	18,070,514
Tyres and accessories	3,330,394	948,109
Motor Spares	24,304,735	14,514,872
Uniform and protective clothing	6,196,368	15,736,741
Water meters	52,660,394	41,983,006
Water fittings and accessories	271,565,943	258,512,304
Total	434,672,965	417,742,552

20. TRADE AND OTHER RECEIVABLES

	2023	2022
		Restated
	Kshs	Kshs
Trade receivables	9,568,193,768	8,718,982,938
Less: Allowance for credit loss	(7,142,503,919)	(6,963,553,843)
Net trade receivables	2,425,689,849	1,755,429,095
Other receivables	1,503,147,052	1,462,022,002
Less: Provision for bad and doubtful debts	(55,512,564)	(55,512,564)
Net other receivables	1,447,634,488	1,406,509,438
Prepayments and deposits	150,570,620	155,731,106
	4,023,894,957	3,317,669,639

Specific provision has been made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The provisions relating to the reporting period are Kshs(7,142,503,919) (2022: Kshs (6,963,553,843)). This is based on the provision of bad debts of beyond 480days as per the adopted policy. This includes ksh 5,935,309 under Nairobi Water and Sewerage Institutional Restructuring project that was closed in 30 June 2008 and khs 49,577,255 for VAT claims.

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

21. CASH AND CASH EQUIVALENTS

	2023	2022
	Kshs	Kshs
Cash in hand	5,114,238	3,328,332
Cash at bank	382,693,349	749,842,879
Total	387,807,587	753,171,211

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

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

22. SHARE CAPITAL

	2023	2022
	Kshs	Kshs
Authorized, issued and fully paid:		
5,000 ordinary shares of Kshs. 20	100,000	100,000

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

23. REVENUE RESERVE

		2023	2022
			Restated
	Note	Kshs	Kshs
At 1 July		(8,545,681,252)	(6,028,570,267)
Prior year adjustments	32	(107,419,193)	(2,432,396,194)
Restated Opening balance		(8,653,100,445)	(8,460,966,461)
Deficit for the year		(854,041,707)	(84,714,791)
At 30 June		(9,507,142,152)	(8,545,681,252)

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

24. CAPITAL GRANT

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

	2023	2022
	Kshs	Kshs
COST		
As at 1st July	2,679,450,595	2,497,363,185
Additions	33,264,119	182,087,410
	2,712,714,714	2,679,450,595
Amortization:		
As at 1st July	1,048,160,068	854,384,302
Charge for the year	193,775,766	193,775,766
Accumulated Amortization	1,241,935,834	1,048,160,068
Net book value as at 30 th June	1,470,778,880	1,631,290,528

25. CUSTOMER DEPOSITS

	2023	2022
	Kshs	Kshs
Balance brought forward	1,101,366,075	1,024,687,575
Deposits received from customers	39,707,580	54,005,000
Accrued interest at 3% per annum	27,078,794	25,800,736
Deposits and interest refunded	(4,063,826)	(3,127,236)
Balance carried forward	1,164,088,623	1,101,366,075

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

26. BORROWINGS

	2023	2022
	Kshs	Kshs
Bank borrowings		
Non- Current	165,588,906	234,105,448
Current	150,296,044	149,287,233
Total Bank borrowings	315,884,950	383,392,681

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

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

The facilities are secured by the following;

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

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

Detailed analysis of the borrowings

Description	2023	2022
	Kshs	Kshs
Domestic Borrowings		
Balance at beginning of the year	383,392,681	371,147,561
Domestic borrowings during the year	102,874,657	90,860,253
Repayments during the year	(170,382,388)	(78,615,133)
Balance at end of the year	315,884,950	383,392,681

27. TRADE AND OTHER PAYABLES

	2023	2022
	Kshs	Kshs
Trade & other payables	5,018,491,082	4,362,894,251

In the opinion of the management, the carrying amounts of Trade payables approximate to their fair value. Other payables include staff related liabilities e.g LAPTRUST – Kshs 2,236,625,495 resulting from an actuarial deficit plus interest and penalties. The maturity analysis of trade and other payables are shown in note 33 (a) (ii).

28. CUSTOMERS WITH CREDIT BALANCES

	2023	2022
	Kshs	Kshs
Customers credit balances	275,556,190	308,447,036

The customer with credit balances are those whose accounts have been overpaid and or have been issued with a credit note due to previous overbilling.

29. PROVISIONS FOR LEAVE ACCRUALS

	2023	2022
	Kshs	Kshs
As at opening	231,327,476	191,252,411
Addition/Decrease for the year	86,664,531	40,075,065
As at closing	317,992,007	231,327,476

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

30. AMOUNT DUE TO RELATED PARTY TRANSACTIONS

The Nairobi City County Government owns the Company 100%.

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

AMOUNT DUE TO RELATED PARTY TRANSACTIONS

	2023	2022
	Kshs	Kshs
i) Lease fees for the year payable to Athi Water Works Development Authority		
As at July	8,471,345,690	7,548,195,498
Fees for the year	693,731,019	924,974,692
NCC		
Sub-total	9,165,076,709	8,473,170,190
Reclassified		(1,824,500)
Subtotal		
At 30 June	9,165,076,709	8,471,345,690
ii) Inherited debts from Nairobi City County		
At 1 July	59,376,372	60,361,093
Reclassified	2,731,658	1,824,500
Paid during the year	(4,022,707)	(2,809,221)
At 30 June	58,085,323	59,376,372
Grand Total	9,223,162,032	8,530,722,062
Classification of related party payables		
Non- current	8,298,187,340	7,605,747,370
Current	924,974,692	924,974,692
Total	9,223,162,032	8,530,722,062

iii) Billing of Water services to NCC		
At 1 July	510,995,927	453,610,466
Billing for the year	41,072,622	71,390,548.
Paid during the year	(2,401,605)	(14,005,741)
Adjustment		0
At 30 June	549,666,944	510,995,927

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

31. MANAGEMENT STAFF COMPENSATION

Key management compensation:	2023	2022
	Kshs	Kshs
Salaries and other short term benefits	1,279,986,489	1,336,059,206
Termination benefits	204,984,786	175,558,771
Post-employment benefits		553,400
Total	1,484,971,275	1,512,171,377
Director's remuneration:		
-Fees for services as Directors	92,382,851	93,102,484
-Other emoluments as Chief executive (included in key management compensation above)	13,363,846	12,249,628
Total	111,445,385	105,352,112

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

32. PRIOR YEAR ADJUSTMENTS

Prior year adjustments comprise the following:			2023	2022
			Kshs	Kshs
To revenue reserve				
Trade Receivables	(i)	(104,687,536)	(195,770,698)	
Other payables	(ii)		(2,236,625,495)	
Related party payables	(iii)	(2,731,657)		
Total		(107,419,193)	(2,432,396,193)	

Sub-notes:

- (i) Correction of prior period trade receivable balances due to errors in billings.
- (ii) Actuarial deficit plus penalties and interest on unpaid pension liabilities

33. CASH GENERATED FROM OPERATIONS

Reconciliation of surplus before tax with cash generated from operations:		2023	2022
	Notes	Kshs.	Kshs.
Deficit /Surplus for the year before tax		(854,041,707)	(84,714,791)
Adjustment for :			
Revenue reserve	32	(107,419,193)	(2,445,920,579)
Depreciation of property, plant and equipment	15	513,296,384	510,136,700
Amortization of intangible assets	16	36,510,332	38,135,612
Amortization of grant asset	24	(193,775,766)	(193,775,766)
Interest expense	14	66,162,035	69,888,423
Operating surplus before working capital changes		(539,267,915)	(2,094,067,858)
Increase Trade and other receivables	-	(739,116,165)	(269,558,635)
Increase in Inventories		(16,930,414)	48,026,092
Increase in Trade and other payables		655,596,832	1,971,620,377
Increase in Provisions		86,664,531	40,075,065
Increase in Customer deposits		62,722,548	76,678,500
Increase in Amount due to related parties		692,439,970	922,165,471
Cash generated from operations		202,109,387	682,756,469

34. EMPLOYEE RETIREMENT BENEFITS EXPENSE

The employee retirement benefits expense comprises:

	2023	2022
	Kshs	Kshs
National Social Security Fund	19,053,960	4,522,700
Provident fund/pension fund	543,090,281	492,425,635
Gratuity	204,984,786	175,558,771
	767,129,027	672,507,106

35. COMMITMENTS

	2023	2022
	Kshs	Kshs
Contracted but not provided for	376,854,920	215,341,695

36. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

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

	2023	2022
	Kshs	Kshs
Within 1 year	51,229,750	66,644,909
After 1 year but less than 5 years	111,782,161	167,836,827
	163,011,911	234,481,736

37. CONTINGENT LIABILITIES

This comprises of (a) pending suits and disputed claims arising from debts inherited from NCC in which the Company has been enjoined as a defendant plus other pending suits instituted against the company, all amounting to Kshs, 3,681,499,335 (2022):Kshs 6,594,745,836).The likely outcome of these matters cannot be determined as at the date of signing these financial statements. Based on the information currently available, the Directors believe that the ultimate resolutions of these legal proceedings, claims and tax exemption application are not likely to have a material effect on the results of the Company's operations, financial position or liquidity.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management

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

i) Credit risk

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

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

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

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

	Fully Performing	Past due but not Impaired	Past due and Impaired	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2022				
Financial assets				
Trade receivables	931,074,377	824,354,718	6,963,553,842	8,718,982
Other receivables	442,827,161	963,682,277	55,512,564	1,462,022
Cash in hand & bank	753,171,211			753,171
Gross financial assets	2,127,072,749	1,788,036,995	7,019,066,406	10,934,176
As at 30th June 2023				
Financial assets				
Trade receivables	775,854,367	1,649,835,482	7,142,503,919	9,568,193
Other receivables	430,530,622	1,175,289,066	55,512,564	1,661,332
Cash in hand & bank	387,807,587			387,807
Gross financial assets	1,594,192,491	2,825,124,548	7,198,016,483	11,617,333

The past due debtors but not impaired continue to be paid. An impairment provision of (Kshs (7,198,016,483) (2022: (6,963,553,843) is held against the impaired receivables. The company does not hold any collateral against the past due or impaired receivables except for the nominal customer deposits. The management continues to actively follow up past due and impaired receivables.

ii) *Liquidity risk*

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls. The Company maintains an overdraft facility of Kshs. 35 million that may be utilized by the company to further reduce liquidity risk. This facility is reviewed annually in order to factor the company's changing circumstances.

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

Year ended 30th June 2022	0-1 month	1-3 months	3-12 months	over 1 year	Total
Trade & other payables	486	336	598	3,598	5,018
Payables to related parties	77	154	463	8,529	9,223
Loans from bank	16	32	144	124	316
Total	579	522	1,205	12,251	14,557
Year ended 30th June 2022					
Trade payables	414	107	305	3,537	4,363
Payables to related parties	77	154	694	7,606	8,531
Loans from bank	16	32	101	234	383
Total	507	293	1,100	11,377	13,277

iii) *Market risk*

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

Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the company's borrowings at the year-end were to

increase/decrease by 1% percentage points, with all other factors remaining constant, the post-tax loss/profit would be lower/higher by

Currency risk

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

(b) Capital management

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

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

	2023	2022
	Kshs	Kshs
Total Debt	4,023,894,957	3,317,669,639
Less cash and cash equivalents (Note 21)	387,807,587	753,171,211
Total Debt net of cash	3,636,087,370	2,564,498,428
Total equity	(8,036,263,272)	(6,914,290,724)
Total Capital resources	(4,400,175,902)	(4,349,792,296)
Gearing (net debt over total capital resources)	(83)%	(59)%

39. INCORPORATION

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

40. EVENTS AFTER THE REPORTING PERIOD

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

41. CURRENCY

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

42. COMPARATIVES

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
1.1	<p>Unreconciled Water Sales Included in the operating income balance is an amount of Kshs.4,791,324,484 being water sales from piped and prepaid public dispenser systems for consumption of 96,404,533m³. Recalculation of the sale using the average tariff of Kshs.58.5 per cubic meter, excluding sewer and other charges payable in the year under review revealed that the volume should have resulted in revenue of Kshs.5,639,665,164 resulting in an estimated understatement of Kshs.848,340,680. Further, review of the billings by the Water Services Regulatory Board (WASREB) revealed that a total of Kshs.365,605,090 was charged to the Company being levy charges at a rate of 4% in respect to water, sewer and meter rent to customers resulting to approximately expected revenue of Kshs.9,140,127,259 and not</p>	<p>The billing of water consumption tariff (Annex 1) is graduated with three bands hence you cannot have a direct average tariff since the number of customers billed at a particular band vary, it is not a straight line but a normal curve. It would therefore not give you a direct calculation of the average tariff multiplied by the volume consumed. The WASREB levy was charged on operating income of 9,137,627,264.00 at a rate of 4%</p>	CD/TD /FD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	Kshs.8,940,033,877 reflected in the financial statements. The resultant uncollected or undeclared revenue of approximately Kshs.200,093,382, has not been explained.	<p>resulting to kshs 365,605,090.34 as stated in the financial statements comprising of water, sewer, meter rent, and other billing income</p> <p>The revenue reported for the year is therefore correctly stated as per the schedules provided to the Auditor during the audit exercise.</p>			
1.2	<p>Water Losses – Non-Revenue Water</p> <p>Review of the water production records revealed that the Company produced 192,787,851m³ volume of treated water. However, records provided by Management indicated that the water produced was 178,526,912m³ resulting in an unexplained loss of 14,260,939m³ or approximately Kshs.834,264,906 at the average tariff of Kshs.58.5 per cubic</p>	<p>The abstracted water (raw water) volume was 192,787,851m³. This was water abstracted from the river to the treatment plant. The treated water (production) was 178,526,912m³, giving a difference of 14,260,939m³ (7.4%) which are</p>	CD/TD /FD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>meter, excluding sewerage and other charges payable in the year under review. This is based on the approved water tariffs by Waster Service Regulatory Authority which indicate that the Water Resources Management (WARMA) charges 50 cents per cubic meter for all billed water from the four water sources namely: Ruiru Dam, Chania River, Kikuyu Springs and Sasumua Dam.</p> <p>Further, the Company billed 96,404,532.71m³ of water translating to Non-Revenue Water (NRW) of 96,383,318m³ or 50% of the total water produced resulting in an unexplained loss of projected revenue of Kshs.9,867,242,180 inclusive of sewer and other charges at the rate of Kshs.102.375/m³. This is above the allowable non-revenue water threshold of 25% as provided in the Water Services Regulatory Board (WASREB)</p>	<p>losses within the treatment plant which arises from the processes of water treatment. This is expected in a normal conventional water treatment plant. By design the treatment plants have to lose some water hence the input cannot be same as the output.</p> <p>Non-Revenue water is the difference between the volume produced, which is the output from the treatment plant (178,526,912m³) and the volume billed (96,404,532.71m³). From the above figures it translates to 46% NRW</p>			
1.3	<p>Decrease in Billing for Other Services</p> <p>The statement of profit or loss and other comprehensive income</p>	<p>The other services charges/Revenue are dependent of the economic activities that are mostly not within</p>	FMR/C BM		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>and as disclosed in Note 6 to the financial statements reflects billing for other services from exhausters services, survey fees, sale of sludge, sale of water by tankers, fraud charges and recoveries, claims compensations, reconnection fees, effluent discharges Jisomee customers, loan repayment and grant amortization all totalling to Kshs.197,593,387. This was a reduction by Kshs.150,358,474, or 43% from the amounts realized in the financial year 2020-2021 of Kshs.347,951,861. Management did not provide an explanation on the drastic fall in revenue realized. Although the Company disclosed revenue of Kshs.34,270,674 from Jisomee Mita customers, it was noted that sixty (60) active accounts were sharing meter numbers.</p> <p>Further, it was noted that the service provider provides the Company with a collection schedule in MS Excel for payments made by customers</p>	<p>the control of the company. However, the significant cause of decrease in Billing for Other Services is due to reclassification of grant amortization kshs 193,775,766 and Provision for bad debts recovery kshs 540,110,847 as required by the current PSASB template. See note 7 and 8 of the Financial Statements</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	into their Safaricom Paybill which is then upload into Jisomee Mita system and forms the amount reported in the financial statements. It was, therefore, not possible to confirm the accuracy and completeness of the reported revenue of Kshs.34,270,674.00 collected from Jisomee Mita customers.				
1.4	<p>Incorrect Data on Customers Connectivity</p> <p>Review of the key performance areas disclosed by the Management under water and sewerage connections revealed that the Company's size of utility, active number of water connections was 241,367. However, review of the customers' billing data provided revealed that the Company had 230,152 and 9,787 customers connected to water meters in the formal and informal settlements, respectively. This would have realized an income of Kshs.164,040,150 and Kshs.5,872,200 respectively totalling Kshs.169,912,350 which was at variance with the amount of</p>	Meter rent is charged based on the approved tariff per month depending on the date of installation and size of the meter. Depending on the meter installation date, the charge is prorated. The amount realized is Kshs 162,886,017 as indicated in note 6	CRM/C BM/CD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>Kshs.162,886,017 disclosed in Note 6 to the financial statements resulting in an unreconciled variance of Kshs.7,026,334. Further, the Company had 10,937 customers from informal settlements made up of 9,787 active members,125 inactive members and 1,025 pending customers who had not been connected to meters. However, review of the data provided on formal settlements billings revealed that the Company did not disclose information on customers who were inactive and pending. In addition, the Company incurred a loss of Kshs.247,049 as a result of charging 252 customers meter rent rates that were lower than the approved tariff rates.</p>				
1.5	<p>Undisclosed Revenue from Effluent Discharge Revenue The statement of profit or loss and other comprehensive income reflects other incomes amounting to Kshs.382,608,201 as disclosed in Note 8 to the financial statements. The Company records revealed that six hundred and forty-five (645) effluent</p>	<p>The licensed private exhausters for the period July 2021 to June 2022 was 163. The list is hereby attached (Annex 2)</p> <p>The adaption of the serial numbers</p>	ECM/T D		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>discharge licenses were issued to private exhausters with an expected revenue collection of Kshs.116,100,000. However, the Company reported income of Kshs.13,290,000 from licensing of thirty (30) private exhausters. This resulted in under collection of revenue amounting to Kshs.102,810,000. Further, review of the billing system revealed that the system inconsistently billed the private exhausters twice or thrice at the rates of Kshs.30,000 and Ksh.45,000 respectively in particular months while the monthly charge of Kshs.15,000 was billed up to seven (7) times in other months. For instance, account 5224124 was billed Kshs.15,000 seven (7) times in the month of July, 2021 and Ksh.30,000 and Kshs.45,000 were billed six (6) times each in February 2022 resulting to unauthenticated outstanding balances.</p>	<p>from the printer (through procurement) implies that one exhauster may have several license numbers. Note that a (new) serial number is issued to an exhauster upon expiry of one calendar year in which the exhauster has been in service e.g. KBP 718 E of account 5233273 has had four license numbers over varied periods as tabulated below. The 645 are entries in question by the auditor were generated from the billing system on exhauster income amounting to KShs. 13,290,000/= which the customer system was applying as</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		per the previous tariff of KShs. 15,000 per month which was not implemented. It has been observed that one account number (read one exhauster) has been billed severally in what was misconstrued as payment for several exhausters. Eg Account number (read exhauster) 5224021 called NDEKEI has several entries ie 3, 31, 55, 105, 116,165,198 in the same month of July			
1.6	Unsupported Exhauster Services Revenue Review of the tariff rates revealed that the Company charges Kshs.4,000 and Kshs.5,000 per trip for exhauster services in informal and formal sectors, respectively. It was established that the Company has one exhauster, whose revenue	The revenue for the company exhauster KAX 474L indicated as Ksh 244,000 (see annex 3) against a fuel expense of Kshs. 220,996 during the period under review is true. This is because most of	ECM		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	records revealed that the exhauster earned revenue totalling to Kshs.244,000. This is despite consumption of 1,787 litres of fuel at a cost of Kshs.220,996 during the year. The exhauster revenue file was not provided for audit. This may have resulted in under-declaration of revenue from the use of the Company's exhauster.	the work is for our internal Customers-Regions and other company installations hence the low returns on revenue. The exhauster is not only used for paid exhauster services to customers but mostly used for operation and maintenance for sewer lines and exhausting company installations			
1.7	Unsupported Revenue from Water Tankers The Company owns thirty-two (32) water tankers which generated revenue amounting to Kshs.13,330,000 in respect of 42,656 cubic meters of water. However, information on the amount of water distributed and fuel consumption by each tanker was not provided for audit. Further, the Company has 12 hydrants to discharge water through water tankers and fire engines. Physical verification revealed that only one hydrant was manned while work orders	Work orders and work tickets for trucks drawing water from these hydrants is attached (Annex 4) Water drawn from the hydrants Nairobi County Council Fire Department is classified as CSR and is part of non-revenue water	RMS/C BM/F MR		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>and work tickets for trucks drawing water from eleven (11) hydrants were not provided for audit verification.</p> <p>In addition, the Company does not invoice the Nairobi County Council Fire Department for water drawn from the hydrants. Therefore, it was not possible to confirm the amount of water drawn by the fire department during the year under review.</p> <p>In the circumstances, the accuracy and completeness of the operating income amount of Kshs.9,137,627,264 could not be confirmed.</p>				
2.0	<p>Unsupported Standing Order on Outstanding Pension Debt Review of the receiving account held by the Company at Co-operative Bank of Kenya, reveals that during the year under review, the Company transferred an amount of Kshs.643,000,000 to the Local Authority Pension Trust (LAPTRUST). The Company authorised payment of a standing order of Kshs.3,000,000 per working day to be transferred from the receiving account to the</p>	<p>The payment of pension is a statutory deduction under Retirement Benefit Act. Kindly note the amount of kshs 3 million is towards redeeming the current monthly contribution, outstanding pension arrears and penalties that</p>	FD/FM (E&R)		Immediate

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>LAPTRUST on 13 July, 2016 in respect of outstanding pension debts. However, Management did not provide evidence of how much has been paid to date and Board minutes approving this transaction.</p> <p>Further, review of a trust deed provided for audit revealed that the outstanding pension debt inclusive of accrued interest as at 29 June, 2015 was Kshs.591,179,365 which was to be settled in 15 months from 6 July, 2015 to 6 August, 2016 through standing orders of Kshs.2,000,000 per day or Kshs.44,000,000 per month. However, no explanation was provided on how the amount of Kshs.2,000,000 was increased to Kshs.3,000,000 as a daily remittance to the LAPTRUST.</p> <p>In the circumstances, the propriety of the transfer of the Kshs.643,000,000 as standing orders to Local Authority Pension Trust could not be confirmed.</p>	<p>accrued thereupon in previous years. Management came up with a plan on how to clear the outstanding bill and ensuring the amount does not increase. The HR Manual and CBA allow the employee to be a member of one Pension scheme which was approved by board of directors.</p>			
3.0	<p>Unsupported Adjustments As previously reported, the statement of changes in equity</p>	<p>Prior year adjustments of negative</p>	CD/RM S/CBM		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>reflects prior year adjustments balance of Kshs.179,830,735 relating to revenue reserves whose listings and aging analysis were not provided for audit. This includes an amount of Kshs.357,125,070 in respect of VAT claims not admissible due to change in VAT Act from zero rate to exempt status. However, due to lack of aging analysis it was not possible to ascertain whether the said balance was affected by the change in the tax regulations. Further, there was no supporting information from the Kenya Revenue Authority (KRA) acknowledging the issue indicated in the financial statements. It was not possible to establish the amount paid from 6 July, 2015 to date from the call account since the bank statements were not provided.</p> <p>In the circumstances, the accuracy of the adjustments amounting to Kshs.357,125,070 could not be confirmed.</p>	<p>Kshs.179,830,735 was for FY2020-2021. The amount was as a result of correction of prior period trade receivable balances due to errors in billings and not VAT. (Annex 5)</p> <p>As observed Kshs. 357,125,070 relates to unclaimed input VAT that became time barred due to the change in the VAT Act in 2018 which moved water from zero rate to exempt status.</p>	/FM-R		
4.0	<p>Inaccuracies and Irregularities in Management of Staff Costs</p> <p>The statement of profit or loss and other comprehensive income reflects staff costs balance of</p>				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	Kshs.6,087,532,959 as disclosed in Notes 9 to the financial statements. The following anomalies were noted				
4.1	<p>Unsustainable Wage Bill</p> <p>The staff cost balance of Kshs.6,087,532,959 is 57% of the operating income of Kshs.10,647,083,912. This is way above the allowed percentage of 35%. Further, it was observed that basic salaries increased by Kshs.51,506,818 from Kshs.2,967,150,657 to Kshs.3,018,657,475 despite a decrease of ninety-six (96) members of staff. No explanation has been provided on the same.</p>	<p>The staff costs have been increasing based on the annual increments of 5% in accordance with the CBA (Annex 7) but the quantity water available for sale and tariff has been constant since 2015.</p> <p>The Salaries cost percentage is at 67% due to the low tariff that was last reviewed in 2015 hence non-responsive to the current cost environment.</p> <p>There is need for a responsive tariff which will cater for inflation and development</p>	DHRA/ MD/BP OS		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		additional water sources for the city.			
4.2	<p>Irregular Payment of Bonuses The Company made a bonus payment of Kshs.22,796,169 as disclosed in Note 9 to the financial statements. This was despite the Company reporting a loss of Kshs.84,714,791. Management did not provide justification for the bonus payment when the Company had made a loss.</p>	<p>This is a token of appreciation meant to motivate staff to continue doing their best in all areas of the Company and is always given out as a standard figure for all the employees. The amount is approved by the Board</p>	DHRA/ MD		
4.3	<p>Inaccuracies and Inconsistency in Payment of Leave Allowance As disclosed in Note 9 to the financial statements leave allowance amount of Kshs.206,350,404 was paid during the year. This amount is at variance with the amount of Kshs.204,755,858 reflected in the payroll and the recalculated amount from payroll of Kshs.252,035,973. However, Management has not provided explanation on the inconsistency between the three (3) sets of</p>	<p>The Leave allowance is paid based on the he current CBA effective July 2021 which provides for leave allowance for unionizable staff at 75% (see annex 6). The payment of leave allowance is per calendar year while the Financial statement is on Financial year from July to June.</p>	DHRA		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	records. Further, analysis of payroll data revealed that some officers were paid leave allowance more than once amounting to Kshs.31,478,248 resulting to an overpayment of Kshs.23,289,957 above the allowed 72% of their monthly basic pay once per year under the Collective Bargaining Agreement.	The staff concerned were paid leave from July to December for calendar year 2021 and January to June leave for calendar year 2022. Hence no double payment.			
4.4	<p>Non-Remittance of Retirement Benefits</p> <p>The staff costs includes an expenditure of Kshs.672,507,106 which comprises of NSSF amount of Kshs.4,522,700, Provident Fund/Pension Fund amount of Kshs.492,425,635 and Gratuity amount of Kshs.175,558,771. However, these amounts have not been remitted to the respective pension funds. These are statutory deductions and the Company risks fines and penalties. The Company has not disclosed contingent liabilities arising from the same.</p> <p>In the circumstances, the completeness and regularity of the staff costs amounting to Kshs.6,087,532,959 could not be confirmed.</p>	<p>As at June 30th the Company has remitted all the pension deductions (Annex 8). Gratuity is paid on request and the same is accrued on monthly basis. The pension remittances for June 2022 were paid as follows;</p> <p>a) NSSF of Kshs 724,900 was paid on 30th June 2022</p> <p>b) LAPFUND of Kshs 26,954,492.20 was paid on 30th June 2022</p> <p>c) NCWSC Provident fund (Madison) of</p>	MD/FD /FM (E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		Kshs 884,943.60 was paid on 30 th June 2022 LAPTRUST are paid through a daily standing order through Cooperative Bank			
5.0	<p>Unsupported Licensing, Lease and Levy Expenditure</p> <p>The statement of profit or loss and comprehensive income reflects general and operational expenses balance of Kshs.3,177,281,798 as disclosed in Note 11 to the financial statements. This includes an amount of Kshs.1,424,040,212 in respect of licensing, lease and levy expenditure. However, records and documentation in support of expenditure totalling to Kshs.1,421,443,144 were not provided for audit. Further, analysis revealed that an amount of Kshs.4,825,702 was paid to Water Resources Management Authority being water use charges at Chania river for the period between July and September, 2018. However, Management did not provide invoices in support of the payment.</p>	<p>The company records its transactions on an accrual basis. The amount of kshs 1,424,040,212 is accrued based on tariff conditions plus other levies and license fees invoiced during the year. The tariff has provided the fee chargeable by WASREB on monthly basis and an amount due to Athi water services Board for each year during the tariff period.</p> <p>The lease licensing and levy is based on tariff which is composed of the following;</p>	FM (E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>In addition, the expenditure on licensing, leasing and levy is understated by an amount of Kshs.100,525,777 that was not included in the ledger.</p> <p>In the circumstances, the accuracy, completeness and regularity of the expenditure amounting to Kshs.1,424,040,212 on licensing, leasing and levy could not be confirmed.</p>	<p>Athi water Board an amount of kshs 924,974,692 per annum being loan repayment Levy at 4% of billing due to WASREB Levy at kshs 0.50 per cubic meter of water abstracted as stipulated in the Water Act. Other licenses as per ledger provided The Vouchers of kshs 100,525,777 is an old debt that was paid during the year. The accounts are prepared on accrual basis which states that the expenditure is recognized when incurred and not when it is paid.</p>			
6.0	<p>Unsupported Inventories</p> <p>The statement of financial position reflects a balance of Kshs.417,742,552 in respect of inventories as disclosed in Note</p>	<p>A good internal control is to have the physical count without the bin balance and</p>	SCM/F M(E& R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>19 to the financial statements. Review of the stock take report revealed variances between the stores management system, the physical count and the bin cards. Further, the stock sheets did not have the cost price for the stock items.</p> <p>Further, the Company expensed inventories valued at Kshs.240,179,879 that were issued during the year under review. These included uniforms and sports equipment of Kshs.7,881,685 and Kshs.4,378,496 respectively which were distributed to various staff members. However, the stock issued did not have supporting schedules such as user requisitions and distributions lists were not provided for audit.</p> <p>In the circumstances, the accuracy, completeness and existence of the balance of Kshs.417,742,552 in respect of inventories could not be confirmed.</p>	<p>system balance so that you can compare and reconcile the 3 sets of records. This is a control measure so that the stock count team does not manipulate the data.</p> <p>The purpose of the physical count is partly to determine whether there are any discrepancies in the records so as to take a corrective action. Should there arise a variance management has to take necessary action to correct and institute a correction action to prevent recurrence. The variances were noted during stock take and the</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>records were adjusted in the current financial year. See attached the variance report (Annex 9) the amount is so insignificant in relation to the stock value.</p> <p>The stock sheets only contain the item code and quantities because the price used is a moving average which will be obtained from the system.</p> <p>Supporting schedules for stock issued from stores during the financial year are available. See attached (Annex 10)</p> <p>Sports equipment has been accounted under sports and</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>recreation expenses (Annex 11).</p> <p>The chair sports committee vide internal memo ref: NCWSC/HRD/IR C/Sports/WASCA/VOL.1/2022/003/mk (Annex 12a) to the Managing Director requested for the sports uniform on 3rd February 2022 and this was approved by the board on 11/02/2022. The uniforms were bought for the WASCO games held in April 2022 as per the approval. A list of the beneficiaries is hereby attached (Annex 12b)</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
7.0	<p>Unsupported Maintenance of Motor Vehicles</p> <p>The statement of profit or loss and comprehensive income reflects maintenance expenditure of Kshs.316,682,914 as disclosed in Note 12 to the financial statements. Included in this amount is maintenance of motor vehicles amounting to Kshs.49,541,429. However, the amount differed with the ledger amount of Kshs.29,167,758 resulting to an unexplained variance of Kshs.20,373,671.</p> <p>Further, payment vouchers in support of expenditure of Kshs.41,663,767 were not provided for audit while review of the payment vouchers provided amounting to Kshs.5,466,391 were not supported with documents such as requisitions, inspection reports and entries in the work tickets for the repairs. Various officers were also paid imprests for repairs of motor vehicles amounting to Kshs.4,092,827. However, supporting documents in form of receipts and documented work tickets were not provided for audit.</p> <p>In addition, three motor vehicles</p>	<p>The total expenditure of kshs49,541,429 comprises of expenditure on direct maintenance of motor vehicle repairs by Vendors of kshs 25,167,758.83 (annex 23a) and spares issued from inventory for in-house maintenance of kshs 24,373,670.53. These figures are supported by the payables sub ledger and stock issue movement for spares issued from stores.</p> <p>As disclosed earlier, our accounts are prepared on accrual basis/when the expenditure occurred. Payment vouchers relate to when the Company buys spares for stock. The spares are</p>	TM/DH RA		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>were repaired between 9 and 13 times at a cumulative cost of Kshs.3,588,443 during the year under review which is uneconomical to continue servicing them.</p> <p>In the circumstances, the accuracy and completeness of motor vehicle maintenance expenses amount of Kshs.49,541,429 could not be confirmed.</p>	<p>expensed when issued from the stores for repair of the vehicles According to our records;</p> <p>KCD 447G was repaired 7 times, however, the invoices were itemized. This vehicle had a major repair on 24 August 2021 of Kshs 1,216,653.30</p> <p>KBW 539H was only repaired once, however, the invoice was itemized (9 items) and recognized in our system in 1st November 2021 (Annex 23a)</p> <p>The itemized invoices were mistaken for the number of times the vehicles were repaired (Annex 23b).</p>			
8.0	Inaccuracies in Cash and Cash				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>Equivalents The statement of financial position reflects cash and cash equivalents balance of Kshs.753,171,211 as disclosed in Note 21 to the financial statements. The following anomalies were noted</p>				
8.1	<p>Lack of Analysis in Notes to the Financial Statements Management did not disclose the bank balance for thirteen (13) bank accounts while the Company reported a cash in hand of Kshs.3,3298,332 which has not been supported by cash count records, cash books and board of survey reports.</p> <p>Further, the Company disclosed balances in National Bank Account and HFC account of Kshs.680,640 and Kshs.485,548 respectively. However, no bank reconciliations were provided for audit.</p>	<p>The Company operates 18 bank accounts as per the attached (Annex 13) and included in our bank Reconciliation statements and cash Book. Kshs. 3,298,332 was cash in hand as stated in note 21 of cash and cash equivalent. Cash count certificate of balance Kshs. 3,298,332 is also attached (Annex 14)</p>	FM(E&R)		
8.2	<p>Unbanked and Uncredited Cheques The cash book balance reflected an amount of Kshs.11,491,731 in respect of Co-operative Bank account while the bank statement reflected a balance of</p>	<p>The Variance of ksh 4,875,842 is composed of kshs Kshs3,325,332 represents cash collected on 30th</p>	FM(E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	Kshs.6,633,889 resulting to an unreconciled variance of Kshs.4,875,842. In addition, unbanked and uncredited cheques of Kshs.3,325,332 and Kshs.1,529,510 respectively, had not been cleared and no explanation was provided.	June banked on 1st July and Kshs. 1,529,510 collections banked but not yet credited by the bank.			
8.3	<p>Unsupported Procurement of Collection Services</p> <p>The Company receives Jambo Pay Services from two (2) Jambo pay accounts with balances of Kshs.7,813,776 and a negative balance of Kshs.523,205 in respect of the Jambo Formal account which has not been explained. However, the Company did not provide contract documents in respect of Jambo Pay services. It was, therefore, not possible to confirm how Jambo pay was engaged and the terms of services.</p>	<p>The Jambo pay platform was procured by the World Bank during implementation of the Jisomee billing system for informal settlements where customers pay for water bills as they consume the services.</p> <p>Jambo pay transferred more funds in one of the accounts than what was collected. This was noticed and the error corrected later, after June 30.</p>	MD/F MR		
8.4	<p>Unreconciled Mpesa Account</p> <p>The Company had an Mpesa</p>	The amount of kshs 23,671 was a	FM(R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	account with a balance of Kshs.122,077,399 comprised of utility account balance of Kshs.27,076,687 and working capital balance of Kshs.95,000,712. However, the cash book reflected a balance of Kshs.122,053,728 resulting in an unreconciled variance of Kshs.23,671.	payment from a paybill to paybill (P2P) hence was not identifiable to an account number to be credited. This amount was treated as a reconciling item whereas we had the money in our utility account. This has been adjusted in the cashbook. (Annex 15a)			
8.5	Undisclosed Cash and Cash Equivalents Balance Review of records revealed that the Company had a Cellulant account with a cash book balance of Kshs.250,530,323 which has not been supported by bank reconciliation statements and bank confirmation certificates. Further, the balance has not been reported in the financial statements. This understates the cash and cash equivalents balance by Kshs.250,530,323. The Company awarded Cellulant Kenya Limited a contract for provision of service on short code (USSD CODE) and Mpesa on 8 April, 2013 for a period of	The Company has engaged the Chartered Institute of Arbitrators to resolve the matter. The matter is currently under arbitration (Annex 15b). Cellulant is an agency that collects funds from customers and then remits to the Company hence treated as a debtor. The funds remain as receivable until when the funds are transferred to	FM (E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>twelve (12) months which was extended. On 23 August, 2016 the Company and Cellulant Kenya Limited signed another contract for a one-year term with obligations to transfer to the bank account No. 01136001361400 within 24 hours all funds collected. On 16 May, 2017 the Finance and Strategy Director requested the Company Secretary to invoke contract clauses to commence the termination of contract with Cellulant Kenya Limited for non-remittance of collections. Cellulant, however, pointed out to the Company about pending matters that had not been responded to. It was also noted the Company was operating without a contract. The matter went for arbitration among the parties on 15 July, 2021 and a draft consent was drawn. However, Cellulant rejected the terms of the draft consent indicating that the Company owed it Kshs.142,441,327 by July, 2020, being transactional charges and other services rendered to the Company. The matter remains unresolved and Management has not demonstrated efforts made to</p>	Cooperative Bank.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	resolve the issue. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.753,171,211 could not be confirmed				
9.0	Inaccuracies in Property, Plant and Equipment The statement of financial position reflects property, plant and equipment balance of Kshs.3,515,275,456 as disclosed in Note 17 to the financial statements. However, the following anomalies were noted				
9.1	Inaccuracies in the Property, Plant and Equipment Balance The balance differs with the balance of Kshs.3,438,435,365 reflected in Note 17 resulting in an unreconciled variance of Kshs.76,840,091.	The figure for property plant and equipment note 17 is kshs 3,438,435,365 and is the same figure as per the statement of financial position hence no variance as stated above. Kshs 76,840,091 is intangible assets and is included in note 18 as stated on the statement of financial position.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
9.2	<p>Undisclosed and Unsupported Land</p> <p>The balance excludes land on which the Company's buildings and installation stand such as Nairobi office, Ndakaini Dam, Ruiru Dam, Ngethu Dam, Kabete treatment plant and laboratory and Sasumua which did not have ownership documents. The dams were not completely fenced while the Ndakaini dam land has been encroached by informal settlers who have constructed a recreational centre. Further, ownership documents for a parcel of land at Kariobangi sewerage and two (2) parcels of land at Ruai sewerage measuring 90 hectares and 1,272.90 hectares were not provided for audit. The Company has five hundred and fifty-four (554) parcels of land meant for expansion, storage, water and sewerage treatment works but ownership records have not been provided for audit.</p>	<p>The land belongs to the County Government of Nairobi and the company being an entity of the County government has been mandated to use the assets to deliver on its mandate.</p> <p>All land grabbed has been reported to the relevant authorities for action.</p>			
9.3	<p>Failure to Revalue Assets</p> <p>The balance includes a net book value of Kshs.69,711,940 in respect to motor vehicles and motor cycles. However, review</p>	<p>The management has allocated funds in the coming budget for FY2023-2024 to</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>of records revealed that the Company has two hundred and thirty-nine (239) motor vehicles and two hundred and seventy-five (275) motor cycles. However, depreciation was charged on twenty-three (23) vehicles only which were procured in the year 2020-2021 and 2021-2022 resulting to a net book value of Kshs.69,711,940. The balance of sixty-one (61) vehicles and one hundred and sixty-four (164) motor cycles procured at a cost of Kshs.145,720,691 and Kshs.36,520,657 respectively but have not been revalued.</p> <p>Further, included in the balance is net book value of Kshs.2,023,337,905 in respect to plant and machinery. Analysis revealed that the Company has four hundred and forty-seven (447) plant and machinery. However, depreciation was charged on three hundred and thirty (330) plant and machinery resulting to the net book value of Kshs.2,023,337,905. The balance of One hundred and forty-seven (147) plant and machinery procured at a cost of Kshs.607,290,259 had a zero net book value were still in use and</p>	<p>carry out Asset valuation to revalue all assets in the books of accounts.</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>in good condition had not been revalued.</p> <p>In addition, records provided revealed that the Company has eleven thousand, three hundred and forty (11,340) equipment with a net book value of Kshs.184,601,267. However, only six thousand, five hundred and eighty-two (6,582) equipment were charged depreciation. The balance of four thousand, seven hundred and fifty-eight (4,758) equipment procured in 2014, 2016, 2017 and 2020 at a cost of Kshs.613,280,922 had zero netbook value. This equipment still in use and in good condition have not been revalued.</p> <p>Similarly, included in the property, plant and equipment balance of Kshs.3,515,275,456 is furniture with a net book value of Kshs.34,192,011. However, only four thousand, two hundred and twenty-three (4,223) pieces of furniture were charged depreciation resulting to the net book value of Kshs.34,192,011. The balance of two thousand, one hundred and sixteen (2116) furniture procured in 2014 at a cost of Kshs.77,903,806 with</p>				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	zero netbook value, in good condition and in use have not been revalued				
9.4	<p>Failure to Depreciate Computer and Related Equipment</p> <p>Included in the property, plant and equipment balance of Kshs.3,515,275,456 balance is net book value of Kshs.20,344,767 for computer and related equipment. Review of records revealed that although the Company has three thousand, four hundred and sixty- nine (3,469) computer and related equipment only two hundred and sixty-four (264) were charged to depreciation resulting to the net book value of Kshs.20,344,767. The balance of three thousand, two hundred and five (3,205) computer and related equipment procured during the 2016, 2017, 2018 and 2019 annual years at accumulative cost of Kshs.532,934,883 which, though in good condition and in use had zero net book value.</p>	This are fully depreciated assets and need to be revalued so us to charge depreciation or be retired based on a valuers recommendation.			
9.5	<p>Capitalization of Work-In-Progress</p> <p>The property, plant and equipment schedule reflects capitalization of a balance of Kshs.193,616,436 in respect of</p>	The Capitalization of work-in progress consist of work which was completed and completion	FM(E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>work in progress whose details and support documents have not been provided for audit.</p> <p>In the circumstances, the accuracy, completeness, ownership and valuation of the property, plant and equipment balance of Kshs.3,515,275,456 could not be confirmed.</p>	<p>certificate issued of Kshs.193.616,436 as per note 17 which represents assets that were reclassified from work in progress to equipment and plant and machinery. See attached (Annex 17)</p>			
10	<p>Unconfirmed Trade Payables The statement of financial position reflects trade and other payables balance of Kshs.4,362,894,251 as disclosed in Note 27 to the financial statements. Included in this balance is an amount of Kshs.1,702,880,772 and Kshs.2,660,013,479 in respect of trade payables and other payables. However, the following anomalies were noted:</p> <p>-</p> <p>i. The trade payables balance of Kshs.1,702,880,772 differed with the analysis</p>	<p>The schedule provided has an amount of kshs 1,702,880,772 which is the same as the reported amount.</p> <p>The actuarial deficit and penalties of kshs2,236,625,495 for the previous years was acknowledged and recorded in the books leading to</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>of Kshs.1,702,837,722 resulting in an unexplained variance of Kshs.43,051;</p> <p>ii. The payables on comparable basis with the previous year's balance of Kshs.2,391,273,874 reflects an increase of Kshs.1,971,620,377 (or 82%) whose explanation has not been provided. Review of the previous year's audited financial statement revealed that the Management had indicated the LAPTRUST balance of Kshs.208,710,125 which has significantly increased to Kshs.2,236,625,495 resulting to an unexplained amount of Kshs.2,027,915,370 (or 972%);</p> <p>iii. Note 32 to the financial statements reflects prior year adjustments of Kshs.2,432,396,194 which comprise of trade receivables and other payables amounting to Kshs.195,770,698 and</p>	<p>the high increase as per board approval and CPF letter, the details are hereby attached (Annex 18) Management is required to make arrangements to settle any outstanding debts and current monthly contributions. This is a management function and the Board has approved the policy and CBA.. Our records are clear on the outstanding debt as per the system ledgers. Cannot confirm the figures by National Treasury as the trading partner owed is Lapfund. The payments of</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>Kshs.2,236,625,495 respectively. Management adopted this balance based on a letter from CPF Financial Services dated 19 October, 2020 which comprise of penalties whose details were not provided for audit;</p> <p>iv. The statements reflect LAPFUND balance of Kshs.146,623,630 which is a decrease from previous year's balance of Kshs.372,474,790 by Kshs.225,851,160. However, comparison with The National Treasury records revealed that the Company owed LAPFUND a balance of Kshs.272,237,697 after paying an amount of Kshs.225,000,000 which is at variance with the balance of Kshs.146,623,630 and payment of Kshs.225,851,160 resulting in unexplained or unreconciled variance of Kshs.90,614,067 and Kshs.851,160 respectively;</p>	<p>trade payable are based on the cash flow derived from the approved tariff, which was lastly reviewed in 2015. The company is meeting its obligations as they fall due and is currently redeeming the debts due to WASREB and WARMA on monthly basis as agreed.</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>v. The trade and other payables balance of Kshs.4,362,894,251 includes long outstanding payables to Water Services Regulatory Board and Water Resource Management Authority amounting to Kshs.877,886,195 and Kshs.368,748,349 respectively.</p> <p>In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.4,362,894,251 could not be confirmed</p>				
11	<p>Unsupported Customers with Credit Balances</p> <p>The statement of financial position reflects customers with credit balances of Kshs.308,447,036 as disclosed in Note 28 to the financial statements which relates to customers whose accounts were overpaid and issued with credit notes due to overbilling. However, no explanation was given on how the overbilling arose and measures Management has put in place to</p>	<p>A credit balance due from customers largely arises from overpayment by customers. The analysis of the balances indicates the credit balance and the reason for account being in credit. If a customer was overbilled but paid before raising a</p>	FMR/RMS/CBM		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>avert the recurrence of the overbilling. Further, Management did not support the credit balances with evidence in respect of complaints from the customers.</p> <p>In the circumstances, the accuracy and completeness of credit balances of Kshs.308,447,036 could not be confirmed</p>	<p>complaint, when the bill is adjusted it will lead to a credit balance due to the earlier overpayment.</p> <p>The Company has put in place a new billing system with inbuilt control that is intended to manage and control cases of overbilling to customers.</p>			
12	<p>Unsupported Provisions for Doubtful Debts</p> <p>The statement of financial position reflects trade and other receivable balance of Ksh.3,317,669,639 as disclosed in Note 20 to the financial statements. Management did not provide explanation on the increase of the allowance for credit loss by Kshs.170,943,658 from Kshs.6,792,610,184 reported in the financial year 2020/2021 to Kshs.6,963,553,842 during the financial year 2021/2022. According to the Finance Policy, general provisions for bad debts shall be made based on Director's valuation of trade</p>	<p>The increase is due to debts that have moved into the 480 days bracket due to errors and are delayed payments of the bills from the customers.</p> <p>The billing system had been configured to provide the report based on the transaction date since it is not an accounting system this was explained to the auditors. The management</p>	FMR/F D		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>receivables which although not specifically identified are known from experience to be present in the trade receivables. However, the Director's valuation on the general provisions made was not provided. Further, scrutiny of the billing system revealed that the system cannot recall the correct balances of total billing of the accounts at any date in prior period since the system has a design flaw that does not capture and recall transactions of previous dates.</p> <p>In the circumstances, the accuracy and completeness of trade and other receivables balance of Ksh.3,317,669,639 could not be confirmed.</p>	<p>has since asked the auditor to revise this and only use the posting date for reporting. This will henceforth ensure the report remains the same even if run on different dates.</p>			
	<p>Undisclosed Material Uncertainty Related to Going Concern</p> <p>The statement of profit or loss and other comprehensive incomes reflects a loss of Kshs.84,714,791 up from the loss of Kshs.8,545,681,252 reported in the previous financial year. The Company had current assets balance of Kshs.4,488,582,401 and current liabilities balance of</p>	<p>The Company has a liability of Kshs 8.6 billion relating to assets developed by AWWDA. The assets are not reflected in our books despite capturing the corresponding liability.</p> <p>The company has</p>	MD/FD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>Kshs.5,976,930 resulting in a negative working capital balance of Kshs.1,488,347,287 or working capital ratio of 0.8. The Company's debt ratio (total liabilities/ total assets) stood at 111.7% an indication that the Company's assets are funded by debts and not equity. Further, the Company had accumulated loss of Kshs.8,545,681,252 of the total reserves made up of a deficit balance of Kshs.84,714,791 in respect of the current financial year and Kshs.8,460,966,460 in respect of deficit brought forward from the previous periods. This was at variance with the prior year audited financial statements negative balance of Kshs.6,015,045,881 resulting to an unreconciled and unexplained variance of negative reserves balance of Kshs.2,445,920,580.</p> <p>This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this fact.</p>	<p>been granted a new tariff effective April 2023 and will improve revenue growth by an average 25%.</p> <p>The company has put in place a new billing system to enhance growth of revenue and also enhance controls in revenue management.</p> <p>The NCWSC is already implementing the non-revenue water reduction strategies which are being fast tracked to improve on our revenue growth.</p> <p>The Company is also leveraging on use of technology to manage costs which will eventually reduce expenditure.</p> <p>The Company is pursuing the</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
		<p>transfer of water assets from the Nairobi City County. The assets shall be valued and included in our financial statements.</p> <p>There was no variance in the prior year adjustments. The movement in the prior year adjustments is explained in note 32 of the accounts. See attached the supporting schedules for prior year adjustments (Annex 19)</p>			
	Emphasis of matter				
	<p>Contingent Liability</p> <p>Note 37 to the financial statements reflect contingent liabilities totalling to Kshs.6,594,745,836 (2022-2021 Kshs.5,640,150,798) which comprised of pending suits and disputed claims arising from</p>	<p>The management has disclosed the contingent liability under note 37 to the financial statements. Based on the information currently available, the</p>	MD/CS		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>debts inherited from Nairobi City County in which the Company has been enjoined as a defendant among others. The likely outcome of these matters cannot be determined. Review of legal documents revealed that as a result of trade unions cases, the Company has been taken to court regarding nine (9) legal cases. This therefore led to hiring of advocates whose fee notes and charges were not provided for audit. Further, and as previously reported in the financial statements for Nairobi Sanitation Output Based Aid Project had reported a pending arbitration dispute between a contractor and the Company in respect to the Project but Management had failed to pay the contractor an advance payment balance of Kshs166,224,772 as agreed in the contract terms. The contractor had completed the project as at the time of audit carried out in the month of September, 2022. The probability of the contingent liability materializing is high and</p>	<p>Directors believe that the ultimate resolutions of these legal proceedings, claims and tax exemption application are not likely to have a material effect on the results of the Company's operations, financial position or liquidity. Most of the cases have a remote chance of success. The status of the union cases is as per attached (Annex 21). The matter Interways Works Ltd is under adjudication File Ref: NCWSC/CS/LD/A RB/09/2020. The matter has been fully heard</p>			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	the Company is exposed to loss of funds due to payment of litigation costs.	pending delivery of award.			
	Key audit matters		FM(E&R)	Resolved	
1	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts for the period reflects original budget and actual on comparable basis of Kshs.13,217,229,050 and Kshs.10,647,083,912, respectively resulting in an underfunding of Kshs.2,570,145,138 (or 19%) of the budget. Similarly, the Company spent an amount of Kshs.10,731,798,703 against actual expenditure of Kshs.10,647,083,912 resulting in an over expenditure of Kshs.84,714,791 or 5%. The explanation from the Management for the underperformance was a result of under collection of own generated revenue. However, the measures on how the own generated revenue could be increased have not been articulated.</p> <p>The underfunding affected the</p>	<p>The budget was based on several assumptions for full implementation of the budget as stipulated on page 7 of the budget (Annex 20). However, we did not realize the approved tariff and weather conditions were unfavourable hence lower production figure resulting to lower revenue than projected.</p> <p>The operating expenditure as per approved estimates was kshs 11.3 billion and not Kshs 10.6 billion as stated against the actual of kshs10.7 billion</p>	FM/FD	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	planned activities and impacted negatively on service delivery to the public as a result the public did not receive the services they deserved through un-implemented projects.	leading a favourable balance of Kshs 617million.			
2	<p>Unresolved Prior Year Matters In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. The report on progress on follow-up of the auditor recommendations in the financial statements for the year under review indicates that some of the issues had been resolved and work to resolve the remainder was ongoing as at 30 June, 2022 and the actual status of all the issues will be confirmed after they are discussed by the County Assembly</p>		MD/FD /CD		
	Basis of Conclusion				

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
1.0	<p>Non-Payment of Debts Due to Related Parties</p> <p>The statement of financial position reflects amounts due to related parties of Kshs.7,605,747,370 and Kshs.924,974,692 as disclosed in Note 30 to the financial statements. The Company had entered into a tripartite agreement with the defunct City Council of Nairobi and Athi Water Services Board in April, 2004 for assignment of all water and sewerage fixed assets and infrastructure to the Company for a consideration of 20% of the total revenue collected during the period upto 2014/2015 and at a flat tariff rate of Kshs.794,950,584, Kshs.912,974,692 and Kshs.924,974,692 for the years 2015/16, 2016/17 and 2017/18 respectively. The Board has continued to issue current invoices using the rate gazetted in respect of year 2017/2018 pegged on loans purported to have been taken by the Athi Water Service Board on installation of equipment. However, the Company has not provided any documentation to support the amount of loan taken on their behalf and what the</p>	<p>The amount of kshs 1,824,500 was in respect of consultancy fee which was erroneously categorized as a related party but should have been under normal liabilities which is now reversed. The documents are available for your review.</p> <p>The Loan repayment instalment was set in the tariff review and all other information relating to loan are with the AWWDA. AWWDA to provide the details of the loans acquired to the company to enable confirmation.</p>	MD/FD /FM (E&R)		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>funds were used for. The Company only paid an amount of Kshs.2,809,221 during the current year. Further, the assigned assets and infrastructure have not been valued and, therefore, the basis of settling the lease payments remains undetermined.</p> <p>In addition, an amount of Kshs.1,824,500 was reclassified from fees payable to Athi Water Works Development Agency in respect of inherited debts from Nairobi City County. However, no supporting documentation was provided to confirm the reclassification.</p> <p>In the circumstances, Management was in breach of the tripartite agreement.</p>				
2.0	<p>Incomplete projects</p> <p>Review of records provided by the Company revealed that thirty-seven (37) projects with a total contract cost of Kshs.2,540,884,097 had not been completed within the stipulated period. Physical verification on some of the project revealed that the contractors were not on site exposing the projects to vandalism.</p>	<p>Most projects delayed arising from the effects of Covid-19 which resulted in revenue shortfalls. The Company has complied with the conditions of the contracts and procurement rules and regulations</p>	EM/TD /MD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	In the circumstances, value for money may not have been realized from implementation of the projects.				
3.0	<p>Wasteful Expenditure on Electricity</p> <p>The statement of profit or loss and comprehensive income reflects general and operational expenses balance of Kshs.3,177,281,798 as disclosed in Note 11 to the financial statements. Included in this expenditure is electricity expenses balance of Kshs.311,875,967. Review of records and physical verification revealed that the Company has its main sewer treatment plant in Ruai which uses physical and biological treatment and runs the Kariobangi sewer which uses mechanical system of treatment through filters with a capacity of sixteen (16) of filters. However, only two (2) were functioning at the time of audit. The Kariobangi sewer has intercepted part of the sewer from the Ruai main line. This system has a capacity of 32,000,000 cubic meters of waste water per day. However, it was observed that it only</p>	<p>Kariobangi Sewer Treatment Works treats most of the sewer that comes from the CBD which is conveyed along the Nairobi river valley up to Moi Airbase. There is no infrastructure to convey sewer from CBD to Ruai Sewer treatment plant. According to the current sewer network, all the sewer from CBD can only be treated in Kariobangi Sewer Treatment Works.</p>	ECM/T D/MD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>produces 19,000 cubic meters of waste water per day therefore underperforming by 13,000 cubic meters per day. No explanation was provided for under utilization of the sewer plant. Further, Kariobangi Plant incurred electricity expense totalling to Kshs.1,565,149 compared to the Ruai Treatment Plant expenses of Kshs.84,577. Had the sewer not been intercepted irrespective of the underutilization and underperformance, then the Company could have saved an amount of Kshs.1,565,149 spent on Kariobangi sewer.</p> <p>No explanation was obtained from the Management on excessive expenditure in respect of electricity in Kariobangi sewer whose services would be offered cheaply at Ruai sewer.</p> <p>In the circumstances, there was no value for money in the expenditure on electricity.</p>				
	Basis of conclusion				
1.0	Inadequate Management and Billing Controls	The non-disclosure and service-level	ICTD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>Review of records revealed that payments totalling to Kshs.71,359,723 had been made on a contract for the supply, delivery, installation, testing and commissioning of a customer management and billing system priced at USD.1,192,596 (equivalent to Kshs.122,774,419). Although, the system was in use during the year under review, the non-disclosure and service-level agreements signed with the vendor were not provided for audit. As a result, the existence of the contracts and related confidentiality safeguards and maintenance service requirements could not be confirmed. Further, scrutiny of the billing system revealed that the system cannot recall the correct balances of total billing of the accounts at any date in prior periods.</p> <p>In the circumstances, the effectiveness and the integrity of information processed through the systems cannot be assured.</p>	<p>agreements signed with the vendor for the billing system is attached (annex 22)</p> <p>The billing system had been configured to provide the report based on the transaction date since it is not an accounting system this was explained to the auditors. The management has since asked the auditor to revise this and only use the posting date for reporting. This will henceforth ensure the report remains the same even if run on different dates.</p>			
2.0	<p>Failure to Maintain a Proper Asset Register</p> <p>The Company reported property, plant and equipment balance of</p>	<p>The Company maintains an asset register which is a module on our oracle financial</p>	ALM/FM(E&R)/FD		

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe :
	<p>Kshs.3,515,275,456 relating to buildings, machinery, vehicles, equipment, computer and related equipment, furniture and fittings. However, a fixed asset register that records all capitalized assets and details of each asset as date of purchase, description including model and serial number, asset cost, depreciation and net book value was not provided for audit. Verification of the assets in sampled stations revealed that the assets were not tagged for easy of tracing.</p> <p>In the circumstances, the correctness, existence and completeness of the assets of the Company could not be confirmed while untagged assets are not easy to trace and are susceptible to loss and theft.</p>	<p>system. The company will provide a budget in the next financial year for asset valuation and tagging.</p>			