

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**NZOIA WATER SERVICES COMPANY  
LIMITED**

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

Nzoia Water Services Company Limited  
Annual Reports and Financial Statements  
For the year ended June 30 2022



**NZOIA WATER SERVICES  
COMPANY LIMITED**

*Maji Safi Maisha Poa!!!*

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**NZOIA WATER SERVICES COMPANY LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

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

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

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## **KEY ENTITY INFORMATION**

### **a) Background Information:**

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

The company operates several water treatment works namely; Kapolet and Nzoia in Trans Nzoia County and Nabuyole, Matisi, Kapkateny, Kamtong' and Chesikaki all in Bungoma County.

### **Company Vision:**

To be a world class water service provider.

### **Company Mission:**

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

### **Core Values:**

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

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

### **b) Principal activities**

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

The mandates of the Company are as follows:

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

**c) The Water Sector in Kenya**

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

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

## BOARD OF DIRECTORS

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

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

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

Rebecca C Nafula	Chairperson	Non-Executive	Left on February 2022
Lusweti Furaha B.K.S	Director	Non-Executive	Left on February 2022
Esther Wamalwa	Director	Non-Executive	Appointed on October 2019
Andrew Musungu	Director	Non-Executive	Appointed on October 2020
Renson Makheta	Director	Non-Executive	Appointed on January 2018
Bonface Wanyonyi	Director	Non-Executive	Left on October 2021
Robert Tigoge	Director	Non-Executive	Appointed on October 2019
Joseph Munyasi	Director	Non-Executive	Appointed on October 2019
Aggrey Chemonges	Director	Non-Executive	Appointed on October 2021
Mathew M.Wakhungu	Managing Director	Executive	Appointed on July 2020

### Corporate Secretary:

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

### Corporate Headquarters:

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

### Corporate Bankers:

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

### Independent Auditors:

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

### Corporate Contacts:

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

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

### Principal Legal Advisers:

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

## BOARD OF DIRECTORS



### **Joseph Munyasi - Chairperson (Born 1962)**

He holds a PhD in Forage/Crop Eco-physiology from University of Eldoret and a Master's of Science from Southern Cross University Lismore Australia. He holds Bachelors of Science degree (Natural Resources Management) from Egerton university Njoro and Diploma in Range Management from Egerton University. Currently he is a Senior research officer at Kenya Agricultural and Livestock Research Organization, Part time at University of Eldoret in the department of Agriculture and Biotechnology and school of Natural Resources and Management. He is a member of Animal Production Society of Kenya (APSK), Member of Environment Institute of Kenya (EIK) and a member of Kenya Institute of Management (KIM).



### **Lusweti Furaha B.K.S – Director (Born 1962)**

He is a trained teacher and a graduate of Bachelor of Business Management Marketing option from Moi University. Currently doing MBA in Strategic Management from the University of Nairobi. He has taught in a number of schools nationally and rose through the ranks to become a Head of Department in Technical and Applied Science. He is the Trans-Nzoia Branch Executive Secretary since 2006, serves as the chairman of the KUPPET Trustee Board since 2013 and also a member of the County Education Board since 2016. He is a member of Marketing Society of Kenya (MSK).



### **Esther Wamalwa- Director Born (1978)**

She joined the board in March 2021 to represent the County Government of Bungoma. She holds a master of science in Finance and Economics, Bachelor of Commerce Finance option and is a CPA (K) holder. She is the CECM Finance and Economic planning –County Government of Bungoma



**Mathew Maruti Wakhungu – Managing Director (Born 1970)** He is currently studying for Master of Business Administration with a bias in Finance at Kenyatta University. He holds a Bachelor of Business Administration from Kenya Methodist University and a Certified Public Accountant of Kenya and a member of ICPAK. He is the Secretary to the Board.



### **Andrew Musungu -Director (Born 1981)**

He joined the board in October 2020. He holds a master of Science in Finance, and Bachelor of Commerce in Finance. He is CPA (K) holder. He is the CEC Water and Environment- Trans-Nzoia County.



**Renson Makheti-Director (Born 1965)**

He joined the Board in November 2017. He holds two masters in strategic Management from University of Nairobi and Mount Kenya university. He has Bachelor of Arts in Economics from University of Nairobi. Currently doing PHD in strategic Management from JKUAT. He is the County Executive in the ministry of Environmental, Water, Natural resources and Tourism County Government of Bungoma. He represents the County of Bungoma in the Board.



**Aggrey Chemonges- Director (Born 1957)**

He joined the Board in October 2021. He holds a Master's of Arts (Government) from University of Nairobi. He has a degree in Bachelors of Arts from University of Nairobi. He is the County Executive in the ministry of Environmental, Water, Natural resources and Tourism County Government of Trans Nzoia. He has vast experience in water sector spanning over 40 years. He represents the County of Trans Nzoia in the Board.



**Rebecca Catherine Nafula - (Born 1967)**

She was appointed Chairperson of the Board in January 2019 and left on February 2022. She joined the Board in June 2016. She holds a Master of Education degree in Educational Planning and Management from Masinde Muliro University of Science and Technology.

She is currently the senior Head of Department (Science) at St Kizito Mayanja Mixed Secondary School. Before then she served as Deputy Head Teacher at Luuya Girls Secondary School and Head of Department Science at Kibabii Boys High School. She has published the following papers

1. Impact of school environment on academic performance in girls' schools in Bungoma South District
2. Negative cultural influence on girls academic performance in Bungoma County.



**Robert Tigogo- Director (Born 1973)**

He joined the Board in October 2019. He holds a Master's in Business Administration (Strategic Management option) from Jomo Kenyatta University of Agriculture and Technology. He has a post graduate diploma in law from Kenya school of Law. Bachelor of Social law from Shivaji University and Bachelor of Laws-LLB (special) with 1<sup>st</sup> Class honors. He is a member of CPS-K, ICPSK.

## **CORPORATE MANAGEMENT TEAM**

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

The following are the Corporate Management Team:



**Mathew Maruti Wakhungu – Managing Director**

He is currently studying for Master of Business Administration with a bias in Finance at Kenyatta University. He holds a Bachelor of Business Administration from Kenya Methodist University and a Certified Public Accountant of Kenya and a member of ICPAK.



**Hudson Makhanu Wanjala – Head of Technical Services.**

He holds a Bachelor of Science in Civil and Structural Engineering from Masinde Muliro University of Science and Agriculture and a High National Diploma in Water Engineering from Kenya Polytechnic.



**Patricia Okello – Head of Human Resources and Administration Manager.**

She holds a Masters of Arts in Labour Relations Management from University of Nairobi. Bachelor of Business Management (Human resource Management option) from Moi University. She has higher Diploma in Human Resource Management and Labour Relation from Kisumu Polytechnic. She has professional qualification in CHRP (K).



**Tom W. Musungu – Head of commercial and Corporate affairs Manager**

He holds a Bachelor of Arts Degree in Sociology and Geography from The University of Nairobi and a Diploma in Sales and Marketing.



**Ramadhan Kubende Odhiambo - Head of Finance and Accounting**

He holds a master of Business in Finance from Kenyatta University and a Bachelor of Commerce with a bias in finance from Kenyatta University. He also has certification in strategic management and leadership from Kenya institute of management. He is a Certified Public Accountant and a member of ICPAK.



**Felistus Supa Musonye- Head of Procurement and Supply chain management.**

She holds a bachelor degree in Business Management (procurement option). She is a licensed supplies management practitioner and a registered member of Kenya Institute and supplies management



**Nelly Cheptanui Ng'eno- Head of Risk and Internal Audit Manager,**

She holds a Master of Business Administration (Finance Option) from Kabarak University, Bachelor of Business Management (Finance Option) from Moi University she is also a Certified Public Accountant of Kenya and a member of ICPAK.



**Pamphil Matsekhe Oundo – Ag. Corporation Secretary**

He is an advocate of the High Court of Kenya. The University of Nairobi LLM candidate, graduated from Moi university school of Law. He holds Diploma in law from KSL in the year 2013, was admitted to Bar and signed the Roll of Advocates in 2016, has 5 years post admission working and litigation experience in legal profession, possess current practicing certificate in good standing, he is the Legal and Compliance Officer at LVNWWDA and the Ag. Company Secretary of NZOWASCO.

## **CHAIRPERSON'S STATEMENT**

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

During the year the company diligently worked to improve the delivery of basic clean safe water and sanitation services to its customers by elevating the quality of its network and services to high standards. Water coverage is currently at 80% while sewerage coverage is at 16% for which various development partners have expressed interest for its network extension.

### **Operation Environment**

In the water industry, the cost of electricity which is the most common input remained high due to electricity tariff thus becoming the highest component in the cost of water production. The cost of chemicals and other inputs was at par.

### **Business Development**

During the period under review, the company continued to partner with donors in the funding of various projects.

The WSTF through funding supported the company by providing them with Ksh 37.6million to aid the Company in terms of extensions and electricity bills payment.

### **Future Outlook**

During the year the company reviewed its strategic plan of 2017 to 2022. The plan details various investment plans which aim to ensure NZOWASCO's growth. The main objectives of the new strategic plan are: increased water production to meet the demand, reduction of NRW, financial sustainability, improved corporate image & visibility and improved customer service.

The company enjoys donor confidence due to its leadership and good corporate governance. This is evidenced by the success in implementation of minor projects and partnership with, Water Sector Trust Fund (WSTF), County Government of Bungoma and Trans-Nzoia. Finally, the future of NZOWASCO looks bright. The company has positioned itself to produce more water to meet the demand and increase sewer network.

### **Dividends**

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

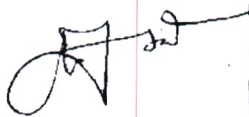
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**Gratitude**

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

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

Thank you and stay blessed.



**DR. JOSEPH MUNYASI**  
**CHAIRPERSON, BOARD OF DIRECTORS**

## **MANAGING DIRECTOR'S REPORT**

I am delighted to present the Annual Report and Financial Statements of NZOWASCO for the year ended 30<sup>th</sup> June 2022, this being the 17<sup>th</sup> annual report and financial statements for the Company exhibiting our progress so far.

NZOWASCO has continuously been able to gain momentum over the short period since inception. The company has in place a reviewed Strategic Plan (2017 -2022) which is being used to improve service delivery and ensure achievement of set targets by emphasizing on areas of priority in supplying of water and sanitation services.

### **Financial Summary**

The financial achievement was not better than the previous year as the company recorded a pre-tax profit of Kshs 23.4 M compared to a pretax loss of Kshs 22.7M during the previous year.

### **Service Delivery**

During the year under review, as envisaged in one of our core values of customer focus, the company continued to maintain satisfactory levels in service delivery. The water produced was distributed to customers equitably through a rationing program. During the period the average water supply was 19hrs/day compared to 18hrs per day in 2021/2022 and the amount of water provided was an average of 22,831M3 per day compared to 25,910 M3 per day in 2020/21. The Non-Revenue Water stood at 50%.

Generally, there was a remarkable improvement in service delivery with the following activities having been carried out: -

- (i) Maintenance of water distribution network
- (ii) Maintenance of sewer network.
- (iii) Improvement of sanitation at the low-income areas
- (iv) Continued use of customer complaint tracking module
- (v) Partnered with Mpesa and banks on revenue collection to make customer services easily available to the customers

### **Staff Development**

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

The managers who are members of various professional bodies were able to attend seminars, workshops and symposiums for the purpose of improving their skills, networking and job satisfaction. Other soft programs including the training of Environmental Health & Safety activities were also carried out by providing PPE's as guided by the Occupational Health and Safety Act to employees exposed to various types of hazards. On Industrial Relations a healthy and cordial relationship was maintained between Kenya union of water and sewerage services and the management through continuous consultation and engagement on various issues affecting employees.

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On employee retention, motivation and welfare, the company ensured total compliance with all policies put in place including the Collective Bargaining Agreement (CBA) and encouraged staff involvement and participation through staff meetings across all departments; as a result, risks of high labor turnover rates were mitigated. Interdenominational Monthly prayers continued to be held on every last Friday of the month throughout the period with participation from all employees to enhance cohesion and harmony.

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

### **Future Plans**

As a company we continue facing recurring challenges over the years which include limited sources of water, old infrastructure and low sewer coverage due to low funding thus dragging our plans for prosperity, to curb these problems we are trying to address them through other mechanisms that include partnering with both County Governments of Bungoma and Trans Nzoia, National Government among other development Partners.

We hope the company will continue partnering with WSTF for funding projects in the low-income areas.

### **Appreciation**

A big thank you to Both County Governments of Bungoma and Trans Nzoia, Shareholders, Board of Directors, Management Staff, and all our stakeholders for their mutual cooperation, and overwhelming support throughout this season.

**Thank you and best wishes to you all**



**CPA MATHW MARUTI WAKHUNGU**

## **STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022**

Nzoia Water Services Company Limited has five strategic pillars and objectives within the current Strategic Plan for the FY 2017-2022. These strategic pillars are as follows:

### **Sustainability Excellence**

- Ensure a reliable, high-quality water supply for the future.
- Meet or surpass environmental standards and protect public trust values.
- Ensure Long-Term Financial Stability by managing the finances to meet funding needs and maintain fair and reasonable water tariffs

### **Service Delivery Excellence**

- Maintain and enhance service excellence through continuous improvement.

### **Infrastructure Growth**

- Maintain and improve the infrastructure in a cost-effective manner to ensure sustainable delivery of reliable, high-quality service now and in the future, and addressing economic, environmental, and social concerns.

### **Technology Excellence**

- Implement technologies that improve the efficiency and effectiveness of business processes

### **People excellence**

- Create an environment that attracts, retains and engages a high performing diverse workforce in support of the NZOWASCO's mission and core values.

NZOWASCO develops its annual work plans based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its five strategic pillars.

## **CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

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

### **The Board of Directors**

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

The Board of Directors is responsible for the following: -

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company

- Approval of the organization structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

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

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

### **Composition of the Board**

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

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

### **BOARD COMMITTEE**

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

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#### **Technical Committee**

Joseph Munyasi - Chairman  
Renson Makheti  
Robert Tigogo

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#### **Finance and Establishment Committee**

Andrew Musungu - Chairman  
Esther Wamalwa  
Aggrey Chemonges

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**Audit and Governance Committee**

Robert Tigogo - Chairman  
Renson Makheti  
Joseph Munyasi

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**Board Meetings**

The Board meets 6 times in one financial year.

**Board Committees**

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

The Board appoints other committees as and when necessary.

**Board Remuneration**

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

**Audit and Governance Committee**

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

The Audit and Governance Committee holds quarterly meetings to provide guidance to the Board and Management. In the year under review the committee raised concerns touching on commercial which showed a gap for a meter audit exercise to be undertaken.

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY

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

### 1. Operational and Financial Performance

#### □ Service Delivery

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

Target Description	Target	Actual	Comments
Water Coverage (%)	90	80	The water coverage was maintained because during the period under review the company did not have new sources of water until the year 2022 when KOICA Phase II and Kapolet Phase II project is expected to increase water production to 20,000M <sup>3</sup> of water per day to supplement the current sources producing an average of 40,000M <sup>3</sup> of water per day.
Water quality standards (%)	100	97.7	The company achieved 97.7% against the required 100%. This is mainly due to turbidity levels in bulk water supply from raw water channels mainly during the rainy season. Samples taken from consumer points in raw water supply system do not meet drinking water quality standard mainly during the wet seasons.
Non-Revenue Water (NRW) (%)	35	50	This was not achieved mainly because of the dilapidated water infrastructure which is old and dilapidated and infrastructure damaging due to a lot of road construction works.
Hours of Supply (Hrs)	22	19	This was not achieved due to frequent disconnection of by KPLC for non-payment more bulk supplier
Metering ratio (%)	100	97	This was achieved due to the efforts which company has put in place to achieve 100% metering ratio.
Collection Efficiency (%)	100	97	This was achieved due to the efforts which company has put in place to achieve 100% collection efficiency. However, we have a challenge in collecting revenue from the County Government, Government organization who are not paying their water bills promptly and are in arrears of Kshs 59.1m

## ACHIEVEMENTS

### 1. Financial performance

During the year ended 30th June 2022 the company achieved total revenue of ksh 393million representing an annual increase of 0.95% as compared to previous year of ksh 374 million. Our major streams of revenue are water sales and provision of sewerage services contributing to over 90% of the total revenue.

### ICT Environment

The company in the year under review continued to use the following software solutions;

- Tera term for billing purposes
- Sage 300 ERP for financial purposes
- Sage People for its payroll processing.

The company is in the process of sourcing for a better system with more advanced functionalities.

### 2. Compliance with Statutory Requirements

The company is compliant with the various statutory requirements including:

- **Salaries Deductions-** The salaries and allowances were paid and remittances of statutory deductions to KRA, NSSF, NHIF and SACCOs were done before due dates.
- **VAT.** The Company being a VAT withholding Agent of KRA was able to file monthly returns on time.
- **CORPORATION TAX** return was promptly filed with KRA
- **NEMA** requirements were complied with by obtaining the licenses for our sewer treatment plants and regularly monitoring through our ISO certified laboratory that the discharges to the environment meet the standards.
- **WASFEB** levies were remitted through a standing order.
- **WARA** water abstraction fee was paid promptly.
- **NITA** industrial training levy was remitted on a monthly basis

However, an amount of Kshs 45.4 million owed to pension schemes has not been paid as it relates to the liabilities which were inherited from the defunct Municipal of Council and National Water. County Governments is currently assisting the employees who are retiring to access their benefits.

### 3. Major Risks Facing the Organization

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

#### i. Water Bills Amount Owed by the County Government – Kshs9.1M

The County Governments currently owes the company several months' water bills amounting to Kshs 9.1m which they have not settled despite several meetings and reminders. This has caused a challenge to the company in meeting its financial obligations.

**ii. Water Bills Amount Owed by the Defunct Municipal Council of Bungoma and Kitale - Kshs 210M**

The former MCN owes the Company Kshs210m which they refused to pay but continued demanding for our services which led the company face a lot of financial difficulties in settling its debts which continued accumulating. The company was forced to settle some of the urgent debts which included employee pension deductions thus affecting the settlement of the outstanding debts. We were informed that the amount owed by the defunct MCN was handed over to the defunct Transitional Authority who also handed it over to the National Government which is yet to settling its debts.

**iii. VAT Refund Claims Owed by Kenya Revenue Authority (KRA)- Kshs 4.5M**

The Kenya Revenue Authority (KRA) owes the Company VAT refund claims amounting to Kshs 4.5m relating to period between the year 2015 and 2018 before water and sewerage services moved from VAT zero rated to VAT exempt. KRA has been very slow in processing of these claims despite the many follow ups.

**iv. Un predictable Increase of Kenya Power Monthly bills ranging between Kshs 7m to Kshs8.5m**

90% of the water that the company supplies are pumping. The design of the plants is rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period. Our monthly electricity cost currently varies between Kshs7m to Kshs8.5m. In addition, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good.

**v. Water Loss through Old and Dilapidated Water Infrastructure.**

The Company loses a lot of water through technical means as arising from old and dilapidated water infrastructure. The role of the company is limited to proper management and introduction of efficiency measures which the LVWDA/County Government is supposed to provide the infrastructure. The bulk of the water is lost through dilapidated network which was built many years ago and requires over Kshs 800 million to replace. This is the work of the National Government through Lake Victoria Water Services Board (LVWDA) who is the asset developer. We are only an agent who is provided with the assets to provide water and sanitation services.

**vi. VAT on Water and Sewerage Services**

The changes in the VAT Act, 2013 as contained in the Finance Act 2018 made water services VAT exempt meaning the water companies no longer claim the input VAT thus making water services more expensive and yet it is a social good.

**vii. Un Accounted for Water (UFW)- 50%**

The water sector is faced with the challenge of water losses which is at 60% nationally and 46% at our company level with the acceptable level being below 25%. This contributes to loss of revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and bursts while in the commercial ways water is lost through illegal connections and meter tampering. The upsurge in the NRW for the FY

2020/2021 was occasioned by road grading, frequent breakdown of pumps, tapping from main line both in Bungoma and Trans Nzoia Counties.  
In Bungoma County, Terem was handed over on pilot basis. This scheme serves a very large rural area, where bursts and leakages are not reported on time to be attended to on time also. Most connections which did not have water are now receiving water on flat rate basis, which is not a suitable way of billing volumes consumed.

**viii. Low Sewerage Coverage - 16%**

The company sewerage coverage is at 16% due to low funding from the County/National Government. This is a great risk to the town as it may be faced with sanitation related diseases.

**The Outlook**

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

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

**Future plans**

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

**Appreciation**

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



CPA Mathew Maruti Wakhungu  
**MANAGING DIRECTOR**

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

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

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

### **1. People and Community**

#### **The Company as an employer**

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

The Company also carries out employee satisfaction survey after every two years with a view of improving the conditions and working environment of its employees and keep in touch with emerging employee issues. In addition, the Company has put in place many ways to contribute to positive changes to its employees including on-job trainings, participation at the Water Companies Sports Organization (WASCO) games which has not been held due to COVID-19 Pandemic and benchmarking sessions that develop the employees and ensure that the company vision is achieved.

#### **Local Community**

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

The company in partnership with Water Services Trust has been able to provide services to informal settlements of Kitale, Bungoma and Webuye through construction of water Kiosks, yard taps and most recently Chwele abolition blocks. The residents of the informal

settlements are able to access clean portable water at an affordable price of ksh 2 per 20 litre Jeri can.

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

### **The Customers**

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

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

## **2. Finance and economic activities**

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

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

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

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

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

- providing clear information where required to organizations with whom we engage financially
- incorporating Corporate Social Responsibility (CSR) considerations in tender submission reviews from potential suppliers in line with Government policy on women, youth and the disabled
- furthering the use of electronic data to reduce paper use and environmental degradation

### **3. Environmental Sustainability**

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

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

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

### **REPORT OF THE DIRECTORS**

The Board of Directors has the pleasure to submit the annual report and financial statements for the year ended 30<sup>th</sup> June 2022 in accordance with International Financial Reporting Standards and the company's Act which discloses the affairs of the company.

#### **Principal activity**

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

#### **Results**

The results of the entity for the year ended June 30, 2022 are set out on page 1 to page 34.

#### **Dividends**

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

#### **Directors**

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

#### **Auditors**

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

#### **By Order of the Board**

Name: Pamphil Matsekhe

Signature: 

Date: 23<sup>rd</sup> March 2023

**Corporate Secretary/Secretary to the Board**

### STATEMENT OF DIRECTORS RESPONSIBILITY

Section 164 of the Public Finance Management Act, 2012 and section 1 of the State Corporations Act, require the Directors to prepare financial statements in respect of NZOWASCO which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that NZOWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of NZOWASCO. The Directors are also responsible for safeguarding the assets of NZOWASCO.


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

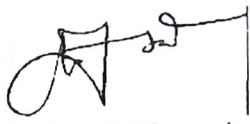
The Directors accept responsibility for NZOWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, Water Act 2016 and the State Corporations Act. The Directors are of the opinion that NZOWASCO's financial statements give a true and fair view of the state of NZOWASCO's transactions during the financial year ended June 30, 2022, and of the NZOWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of NZOWASCO's financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

The entity's financial statements were approved by the Board on 23/03/2023 and signed on its behalf by:

  
CPA Mathew M. Wakhungu  
MNO.14537  
Managing Director

  
Dr. Joseph Munyasi  
Chairperson of the Board

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NZOIA WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nzoia Water Services Company Limited set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2022 and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions

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*Report of the Auditor-General on Nzoia Water Services Company Limited for the year ended 30 June, 2022*

of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nzoia Water Services Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

The statement of financial position reflects comparative balances of Kshs.506,832,199 and Kshs.28,767,270 in respect of total assets and retained earnings respectively. However, the balances are at variance with the corresponding balances of Kshs.507,911,659 and Kshs.29,846,730 reflected in the audited financial statements for the year ended 30 June, 2021 resulting to variances of Kshs.1,079,460 and Kshs.1,079,460 respectively, which were not reconciled. Further, Note 6 and 16 in the statement of profit and loss and other comprehensive income and the statement of financial position reflect cost of sales and intangible assets balance of Kshs.148,377,080 and Kshs.1,777,214 respectively while Notes to the financial statements reflects balances of Kshs.146,336,128 and Kshs.1,765,757 resulting to unreconciled variance of Kshs.2,040,952 and Kshs.11,457.

In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

### **2. Variances Between Amounts in the Financial Statements and Supporting Schedules**

The financial statements provided for review reflected variances between amounts in the financial statements and those in supporting schedules as indicated below:

<b>Component</b>	<b>Financial Statements balances (Kshs.)</b>	<b>Schedules balances (Kshs.)</b>	<b>Variance (Kshs.)</b>
Cost of Sales Note 6	148,377,080	146,336,128	2,040,952
Trade and Other Receivables – Chwele – Note 19(a)	20,614,735	20,599,478	15,257
Staff and Other Related Expenses – Note 8(a)	144,520,230	143,528,743	991,487
Repairs and Maintenance – Note 8(d)	23,770,516	28,958,336	(5,187,820)
Specialized Services – Note 8(e)	11,482,749	10,664,749	818,000
Furniture – Note 15	7,895,929	1,560,129	6,335,800
Computer & Equipment – Note 15	15,872,093	3,181,908	12,690,185
Network (Water Pipeline & Infrastructure) – Note 15	78,377,013	17,134,766	61,242,247

<b>Component</b>	<b>Financial Statements balances (Kshs.)</b>	<b>Schedules balances (Kshs.)</b>	<b>Variance (Kshs.)</b>
Water Meters – Note 15	40,843,647	26,069,123	14,774,524
Water Pump - Matisi T/W – Note 15	6,604,600	5,806,346	798,254
Motor Cycles – Note 15	1,219,086	678,585	540,501
Mobile Phones – Note 15	713,505	323,905	389,600
Capital Works – Note 15	-	12,623,575	(12,623,575)
Other Income - Note 7	34,332,949	-	34,332,949
Grant CLSG - Note 7	37,598,469	-	37,598,469
Depreciation - Note 15	20,633,191	9,025,716	11,607,475
Amortization - Note 16	142,607	476,991	(334,384)

In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

### **3. Long Outstanding Trade and Other Receivables**

The statement of financial position and as disclosed in Note 19 to the financial statements reflects a trade and other receivables balance of Kshs.376,922,075 which includes balances of Kshs.1,365,849, Kshs.67,020, Kshs.1,045,560 and Kshs.4,507,226 relating to deposits and pre-payments, unpaid share capital, customer water deposits and unclaimed Value Added Tax (VAT) which have remained the same from the previous year. No explanation was provided for the failure to recover the long outstanding receivables.

In the circumstances, the recoverability of the receivables balance totalling Kshs.6,985,655 is doubtful.

### **4. Unaccounted for interest**

The statement of financial position and as disclosed in Note 20 to the financial statements reflects an amount of Kshs.15,815,266 in respect to short-term deposits. Review of the fixed deposit placement certificate revealed that the amount had been deposited for a fixed period of 11 months starting 30 July, 2021 to 30 June, 2022 and that the funds, upon maturity were to be transferred to the Company's operations account together with interest as at 30 June, 2022. However, review of the bank statements provided revealed that the funds were wired to the operations account on 16 August, 2022 instead of 30 June, 2022 as provided for in the fixed deposit placement certificate. No explanation was provided on why the funds were transferred thirty-six (36) days after the stipulated date and how the accruing interest for those days was accounted for.

In addition, the statement of cash flows reflects an amount of Kshs.6,746,359 in respect of adjustments in fixed deposit. However, no explanation or documentary evidence was provided on the nature and purpose of the adjustment.

In the circumstances, the accuracy of the short-term deposit balance of Kshs.15,815,266 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nzoia Water Services Company Limited

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

### **Other Information**

The Management is responsible for the other information, which comprises the chairperson's report, report of the managing director, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability reporting, report of the directors and statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Revenue Water**

During the year under review, the company produced 8,333,282 cubic meters of water, out of which only 4,304,400 cubic meters were billed for Kshs.303,265,106 as indicated in Note 5 to the financial statements. The balance of 4,028,882 cubic meters or approximately 48.35% of the total production, which represents non-revenue water, was not billed. This translates to 23.35% above the 25% loss allowed by Water Services Regulatory Board. No explanation was provided on the disallowable loss of 23.35%, equivalent to Kshs.1,945,561.

Additionally, and as reported in the previous audit reports, all the Company's eight production plants at Matisi, Kapolet, Nzoia, Nabuyole, Terem, Kapkateny, Chesikaki and Kamutong did not have abstraction meters implying that the amount of water drawn from the rivers was based on estimates.

In the circumstances, the residents of Bungoma and Trans Nzoia Counties did not obtain value for money from the Company

## **2. Non-Compliance with Memorandum and Articles of Association**

As reported in financial statements in Note 22, Management has indicated that the Company has an authorized share capital of Kshs.150,100,000 divided into 7,505,000 shares of Kshs.20 each, out of which 2,005,000 shares have been fully paid up while 2,500,000 shares of Kshs.20 per value have been issued but not paid for. Further, review of the Memorandum of Association revealed that the Company has an authorized share capital of Kshs.100,000 divided into 5,000 shares of Kshs.20.

No explanation was provided on the contradiction between the information in the financial statements and the Memorandum of Association. Further, no evidence was provided to confirm that the company made regular returns with the Registrar of Companies as required by law.

In the circumstances, the correct shareholding and ownership of the company could not be confirmed.

## **3. Non-Remittance of Pension Scheme Contributions**

The statement of profit and loss and other comprehensive income and as disclosed in Note 8(a) to the financial statements reflects an amount of Kshs.222,453,610 in respect of administration costs which includes Kshs.144,520,230 relating to staff and other related expenses out of which Kshs.12,246,462 relates to employees' benefits not remitted to pension scheme. No explanation was provided for the failure to remit the amounts deducted from staff salaries as required by the law.

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

## **4. Staff Ethnic Diversity**

Examination of human resource records revealed that during the year under review, the Company had a total of 273 employees. However, out of this number, 211 employees (or 77%) were from the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

## **5. Staff Over Establishment**

Examination of the human resource records revealed that the Company had more staff in some cadres than what was provided for in its staff establishment as tabled below. This is contrary to Part 2.3(v)(b) of the Company's Human Resource Policy Manual.

Designation	Level	Department	Optimal No.	Current No.	Variance
Assistant II/I, Commercial	5-6	Commercial	7	9	2
Assistant I/II Customer Care	5-6	Commercial	5	9	4
Assistant II/I Accounting	5-6	Finance	1	4	3
Officer II/I ICT	7-8	Commercial	0	1	1
Stores supervisor	5-6	HR & Administration	0	1	1
Officer II/I	7-8	HR & Administration	1	2	1

In the circumstances, 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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

##### Basis for Conclusion

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

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on 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 been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

##### Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

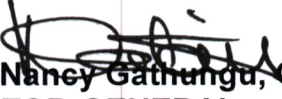
Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**20 April, 2023**

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


		<b>2022</b>	<b>2021</b>
<b>Revenues</b>	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
Sales	5	359,132,594	339,554,525
Cost of sales	6	(148,377,080)	(122,143,264)
<b>Gross profit</b>		<b>210,755,514</b>	<b>217,411,261</b>
Other Income	7	34,332,949	35,109,535
Grant CLSG	7	37,598,469	-
<b>Net revenue</b>		<b>284,727,884</b>	<b>252,520,796</b>
<b>Operating expenses</b>			
Administration costs	8	222,453,610	230,375,379
Administrative levies	9	18,832,783	25,805,752
Depreciation of property, plant & equipment	15	20,633,191	17,920,298
Amortisation of Intangible Assets	16	142,207	1,760,434
<b>Total operating expenses</b>		<b>262,061,791</b>	<b>275,861,863</b>
<b>Operating profit/(loss)</b>	10	22,666,093	(23,341,067)
Finance Income	11	739,634	582,565
Finance Costs	12	-	-
<b>Profit/(loss) before taxation</b>		<b>23,405,457</b>	<b>(22,758,502)</b>
Income tax expense	13	(7,530,931)	(6,370,895)
<b>Profit/(loss) after taxation</b>		<b>15,874,526</b>	<b>(29,129,397)</b>

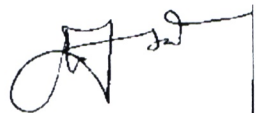
**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2022**

		2022	2021
	Notes	Kshs	Kshs
<b>Non-Current Assets</b>			
Property and equipment	15	133,605,575	119,229,099
Intangible Assets	16	1,777,214	1,337,538
<b>Total Non-Current Assets</b>		<b>135,382,789</b>	<b>120,566,637</b>
<b>Current Assets</b>			
Inventories	18	9,782,189	11,717,139
Trade and other receivables	19	376,922,075	345,483,061
Short-term deposits	20	15,815,266	15,815,266
Cash and bank balances	21	6,232,308	13,250,096
<b>Total Current Assets</b>		<b>408,751,838</b>	<b>386,265,562</b>
<b>Total assets</b>		<b>544,134,627</b>	<b>506,832,199</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	22	90,100,000	90,100,000
General Reserves		250,468	250,468
Retained earnings		13,075,307	28,767,270
<b>Total Capital and Reserves</b>		<b>103,425,775</b>	<b>119,117,738</b>
<b>Current Liabilities</b>			
Trade and other payables	24	254,367,541	213,563,907
Retirement benefit obligations	25	45,444,404	33,253,647
Due to Related Parties	26(b)	140,896,907	140,896,907
<b>Total Current Liabilities</b>		<b>440,708,852</b>	<b>387,714,461</b>
<b>Total equity and liabilities</b>		<b>544,134,627</b>	<b>506,832,199</b>

The financial statements were approved by the Board on 23<sup>rd</sup> March 2023 and signed on its behalf by:

  
CPA Mathew M. Wakhungu  
ICPAK MNO.14533  
Managing Director

  
CPA Ramadhan Kubende  
ICPAK MNO.16885  
Head of Finance

  
Dr. Joseph Munyasi  
Chairperson of the Board

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

	<b>Ordinary Share Capital Ksh</b>	<b>Retained Earnings Ksh</b>	<b>General Reserves Ksh</b>	<b>Total Ksh</b>
<b>Balance as at July 1, 2020</b>	<b>50,100,000</b>	<b>28,767,270</b>	<b>250,468</b>	<b>119,117,738</b>
<b>Balance as at June 30, 2021</b>	<b>90,100,000</b>	<b>28,767,270</b>	<b>250,468</b>	<b>119,117,738</b>
<b>Balance as at July 1, 2021</b>	<b>90,100,000</b>	<b>28,767,270</b>	<b>250,468</b>	<b>119,117,738</b>
Total comprehensive income		<b>15,874,526</b>		<b>15,874,526</b>
Adjustment	-	<b>(31,566,489)</b>	-	<b>(31,566,489)</b>
<b>Balance as at June 30, 2022</b>	<b>90,100,000</b>	<b>13,075,307</b>	<b>250,468</b>	<b>103,425,775</b>

**Note:**

- \* Ksh 40,000,000 lease fees owed to county government of Trans-Nzoia and Bungoma was converted into share capital and shareholding distributed as Trans-Nzoia 51% and Bungoma 49%
- \*\* Transferred Ksh 50,000.00 from General Reserve to share capital and distributed as Trans-Nzoia county 51% and Bungoma county 49%.
- \*\* Adjustments relates to accumulated depreciation.
- \*\* The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilized to finance the entity's business activities.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2022**

		<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
Cash Generated from (Used in) Operations			
Profit/loss before tax		23,405,457	(22,758,502)
Depreciation	15	20,633,191	17,920,298
Adjustment in: Fixed Deposit		6,746,359	-
Amortizations	16	142,207	1,760,434
<b>Operating profit/(loss) before working capital changes</b>		<b>50,927,214</b>	<b>(3,077,770)</b>
(Increase)/decrease in Inventories	18	1,934,950	1,953,714
(Increase)/ decrease in Trade and Other Receivables	19	(31,439,014)	35,802,747
Increase /(decrease)in trade and other payables	24	40,303,634	9,804,351
Increase /(decrease)in related parties	26(b)	-	(25,805,752)
Increase /(decrease)in retirement benefit obligations	25	(12,190,757)	(3,701,699)
<b>Cash generated from/(used in) operations</b>		<b>(891,187)</b>	<b>18,053,361</b>
Amortization of grant		-	6,812,018
<b>Net cash generated from/(used in) operating activities</b>		<b>50,036,027</b>	<b>21,787,609</b>
<b>Investing Activities</b>			
Purchase of property, plant and equipment	15	(18,884,920)	(13,301,900)
Short term fixed deposit	20	-	(8,315,266)
Purchase of intangible assets	16	(570,426)	(2,016,796)
Grant CLSG		(37,598,469)	-
<b>Net cash used in investing activities</b>		<b>(57,053,815)</b>	<b>(23,633,962)</b>
<b>Financing Activities</b>			
<b>Net cash (used in)/generated from financing activities</b>		<b>-</b>	<b>-</b>
<b>Increase in cash and cash equivalents</b>		<b>(7,017,788)</b>	<b>(1,846,353)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>13,250,096</b>	<b>15,096,449</b>
<b>Cash and cash equivalents at end of year</b>	21	<b>6,232,308</b>	<b>13,250,096</b>

**STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS FOR THE  
YEAR ENDED 30TH JUNE, 2022**

	<b>Original Budget</b>	<b>Adjustment</b>	<b>Final</b>	<b>Actual on Comparable basis</b>	<b>Performance Difference</b>	<b>% of utilization</b>
	<b>2021/22</b>	<b>2021/22</b>	<b>2021/22</b>	<b>2021/22</b>	<b>2021/22</b>	
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>						
Sale of Water	369,071,778	369,071,778	369,071,778	303,265,106	(65,806,672)	(21.70%)
Meter Rent	22,000,000	22,000,000	22,000,000	18,563,200	(3,436,800)	(18.50%)
Disc/Reconnection fee	4,500,000	4,500,000	4,500,000	3,768,400	(731,600)	(19.40%)
New Connections( Water	9,000,000	9,000,000	9,000,000	6,073,929	(2,926,071)	(48.20%)
Sewer & Sanitation	65,003,746	65,003,746	65,003,746	55,867,488	(9,136,258)	(16.40%)
Water Bowser	1,300,000	1,300,000	1,300,000	1,618,659	318,659	19.70%
Exhauster Services	1,440,000	1,440,000	1,440,000	590,000	(850,000)	(0.04%)
Other income	9,650,000	9,650,000	9,650,000	3,718,761	(5,931,239)	(1%)
<b>SUB TOTAL</b>	<b>481,965,524</b>	<b>481,965,524</b>	<b>481,965,524</b>	<b>393,465,543</b>	<b>(88,499,981)</b>	<b>(22.50%)</b>
<b>Other income</b>						
<b>Govt grant</b>	-	<b>37,598,469</b>	<b>37,598,469</b>		-	-
<b>Total Revenue</b>	<b>481,965,524</b>	<b>519,563,993</b>	<b>519,563,993</b>	<b>393,465,543</b>	<b>126,098,450</b>	<b>32%</b>
<b>Expenses</b>						
<b>Cost of sales</b>						
Chemicals	37,889,250	37,889,250	37,889,250	30,718,946	7,170,304	23.30%
Electricity/Dir. Labour	78,358,852	78,358,852	78,358,852	84,722,271	(6,363,419)	(7.50%)
<b>SUB( TOTAL</b>	<b>116,248,102</b>	<b>116,248,102</b>	<b>116,248,102</b>	<b>115,441,217</b>	<b>806,885</b>	<b>1.00%</b>
<b>Staff Costs</b>						
Basic pay	95,858,940	95,858,940	95,858,940	92,230,933	3,628,007	3.90%
Wages	1,800,000	1,800,000	1,800,000	1,012,910	787,090	77.70%
House Allowance	24,836,043	24,836,043	24,836,043	18,096,995	6,739,048	37.20%
Overtime allowance	1,800,000	1,800,000	1,800,000	1,995,636	(195,636)	(9.80%)
Hazard allowance	1,018,201	1,018,201	1,018,201	480,448	537,753	98.70%
Transfer allowance	1,124,505	1,124,505	1,124,505	482,455	642,050	99%
Airtime allowance	3,098,221	3,098,221	3,098,221	2,656,071	442,150	16.60%
Commuter allowance	12,500,000	12,500,000	12,500,000	12,282,499	217,501	2%
Extraneous allowance	2,500,000	2,500,000	2,500,000	1,700,886	799,114	46.90%
Acting allowance	1,852,440	1,852,440	1,852,440	380,397	1,472,043	99%
Terminal dues/gratuity	14,595,924	14,595,924	14,595,924	7,080,262	7,515,662	99%
NSSF	1,117,000	1,117,000	1,117,000	548,500	568,500	99%
Lapfund	5,200,726	5,200,726	5,200,726	3,483,717	1,717,009	49.20%
Laptrust	3,971,327	3,971,327	3,971,327	2,393,152	1,578,175	65.90%

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Training levy(NITA)	180,000	180,000	180,000	176,350	3,650	2.10%
Leave allowance	4,687,168	4,687,168	4,687,168	2,914,814	1,772,354	60.80%
<b>SUB(TOTAL</b>	<b>176,140,495</b>	<b>176,140,495</b>	<b>176,140,495</b>	<b>147,916,025</b>	<b>28,224,470</b>	<b>19.10%</b>
<b>Employee Related Expenses</b>						
Travelling & Accommodation	14,000,000	20,000,000	20,000,000	20,354,477	(354,477)	(0.17%)
Staff Training,	3,350,000	5,000,000	5,000,000	3,815,164	1,184,836	99%
Staff Uniforms PPE	2,500,000	2,000,000	2,000,000	722,986	1,277,014	99%
Medical Cover & GPA	7,500,000	7,500,000	7,500,000	-	7,500,000	100%
Staff Welfare & Sports	2,336,000	3,000,000	3,000,000	2,536,252	463,748	0.18%
Bonuses	800,000	800,000	800,000	-	800,000	100%
<b>SUB( TOTAL</b>	<b>30,486,000</b>	<b>38,300,000</b>	<b>38,300,000</b>	<b>27,428,879</b>	<b>10,871,121</b>	<b>39.60%</b>
<b>Board Expenses</b>						
Board sitting allows.	3,000,000	3,000,000	3,000,000	2,958,520	41,480	0.14%
Board Training	2,500,000	2,500,000	2,500,000	1,185,142	1,314,858	1.10%
Secretarial Services	650,000	650,000	650,000	643,772	6,228	1.00%
Board travelling	4,000,000	4,000,000	4,000,000	3,131,126	868,874	2.70%
Recruitment	1,500,000	1,500,000	1,500,000	-	1,500,000	100%
Stakeholders & CSR(advertisement & publicity)	2,000,000	2,000,000	2,000,000	436,980	1,563,020	99.20%
(A.G.M)	1,500,000	800,000	800,000	688,676	111,324	16.20%
<b>SUB( TOTAL</b>	<b>15,150,000</b>	<b>14,450,000</b>	<b>14,450,000</b>	<b>9,044,216</b>	<b>5,405,784</b>	<b>59.77%</b>
<b>Office &amp; Administrative expenses</b>						
Office maintenance	1,500,000	1,500,000	1,500,000	1,424,798	75,202	5.30%
Office Electricity	1,000,000	1,000,000	1,000,000	181,539	818,461	99.00%
Postage services	1,516,826	1,516,826	1,516,826	817,910	698,916	85.50%
Communication Services(Airtime	500,000	500,000	500,000	224,047	275,953	99.00%
Communication Services(Internet services	1,800,000	1,800,000	1,800,000	1,802,891	(2,891)	(0.20%)
Printing, stationery	4,500,000	4,500,000	4,500,000	3,174,215	1,325,785	41.80%
Advertising and publicity	3,375,000	3,375,000	3,375,000	1,103,154	2,271,846	99.00%
Newspapers & periodicals(advertisement & publicity)	112,000	112,000	112,000	5,100	106,900	99.10%
Hospitality supplies	7,155,045	7,155,045	7,155,045	7,503,290	(348,245)	(4.60%)
Fuel cost generator	202,000	202,000	202,000	37,550	164,450	99.20%
Bank charges and interes.	2,129,868	2,129,868	2,129,868	2,193,390	(63,522)	(2.90%)
Security services	16,000,000	16,000,000	16,000,000	12,385,935	3,614,065	29.20%
Insurance costs	1,750,000	1,750,000	1,750,000	1,226,641	523,359	42.70%

Nzoia Water Services Company Limited  
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For the year ended June 30 2022

<b>SUB TOTAL</b>	<b>41,540,739</b>	<b>41,540,739</b>	<b>41,540,739</b>	<b>32,080,460</b>	<b>9,460,279</b>	<b>29.49%</b>
<b>Operations and Maintenance</b>						
Pipeline and fittings	10,100,000	15,000,000	15,000,000	2,101,510	12,898,490	99.00%
Sewer line repair	1,700,000	1,700,000	1,700,000	1,280,655	419,345	32.70%
Plant and treatment repair	16,921,400	9,000,000	9,000,000	10,291,500	(1,291,500)	(12.60%)
Computer maintenance	500,000	600,000	600,000	612,907	(12,907)	(2.10%)
Motor Vehicle repair	4,630,000	4,630,000	4,630,000	3,688,471	941,529	25.50%
Fuel and Lubricants	7,000,000	7,000,000	7,000,000	5,721,953	1,278,047	22.30%
Tool & equipment hire	1,400,000	1,400,000	1,400,000	73,520	1,326,480	99.50%
Water Meters	8,000,000	8,000,000	8,000,000	0	8,000,000	99.00%
<b>SUB( TOTAL</b>	<b>50,251,400</b>	<b>47,330,000</b>	<b>47,330,000</b>	<b>23,770,516</b>	<b>23,559,484</b>	<b>99.11%</b>
<b>External services/Specialized services</b>						
Subscriptions WASPA	500,000	820,000	820,000	818,000	2,000	0.20%
Auditors Remuneration	650,000	650,000	650,000	-	650,000	100%
Meter audit	1,500,000	700,000	700,000	648,920	51,080	7.80%
Subscriptions staff	300,000	600,000	600,000	523,297	76,703	14.70%
Business Permits(NEMA)	500,000	500,000	500,000	420,000	80,000	19.10%
Legal Expenses	5,000,000	6,500,000	6,500,000	6,437,999	62,001	1.00%
Consultancy	6,000,000	6,000,000	6,000,000	2,134,373	3,865,627	99.50%
Non Revenue water exp.	1,000,000	1,000,000	1,000,000	444,160	555,840	100%
ISO,QMS&Keb	1,499,971	1,000,000	1,000,000	56,000	944,000	99.10%
<b>SUB TOTAL</b>	<b>16,949,971</b>	<b>17,770,000</b>	<b>17,770,000</b>	<b>11,482,749</b>	<b>6,287,251</b>	<b>54.75%</b>
<b>Levies and Administrative fees</b>						
WASREB	16,300,000	15,145,000	15,145,000	15,371,348	(226,347)	(1.50%)
WARA	13,000,000	13,000,000	13,000,000	3,461,435	9,538,565	99.60%
LVNWWDA	-	1,000,000	1,000,000	-	1,000,000	100%
<b>SUB TOTAL</b>	<b>29,300,000</b>	<b>29,145,000</b>	<b>29,145,000</b>	<b>18,832,783</b>	<b>10,312,218</b>	<b>54.76%</b>
<b>Total expenditure</b>	<b>476,066,707</b>	<b>480,924,336</b>	<b>480,924,336</b>	<b>385,996,845</b>	<b>94,927,492</b>	<b>22.00%</b>
<b>Surplus for the period</b>	<b>5,898,817</b>	<b>38,639,657</b>	<b>38,639,657</b>	<b>7,468,698</b>	<b>31,170,958</b>	<b>24%</b>

Variiances (10% over/under) between actual and final budgeted amounts are explained on page 33.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2022

**1. General information**

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

**2. Statement of compliance and basis of preparation**

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

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

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

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

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts (Cost of Fulfilling a Contract issued	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

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Title	Description	Effective Date
in May 2020)	They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	
Amendment to IFRS 1 titled Subsidiary as a First time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income	IAS 12, "Income Taxes" implements a so called	The amendments are

Title	Description	Effective Date
Taxes	'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8 Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

**iii. Early adoption of standards**

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

**2. Summary of Significant accounting policies:**

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

**a) Revenue Recognition**

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

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

Notes to the Financial Statements (continued)

**Summary of Significant Accounting Policies**

- v) **Rental Income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognized as it accrues

**b) In(kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

**Summary of Significant Accounting Policies**

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

**e) Intangible assets**

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

**f) Amortization and impairment of intangible assets**

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

**g) Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Stock valuation is determined by First in First out (FIFO).

**h) Trade and other receivables**

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

**i) Taxation**

*Current income tax*

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

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

Notes to the Financial Statements (continued)

**Summary of Significant Accounting Policies**

*Deferred tax*

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

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

**j) Cash and cash equivalents. IAS 7**

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

**k) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

**l) Trade and Other Payables**

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

**m) Retirement Benefits Obligations**

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

Notes to the Financial Statements (continued)

**n) Provision for staff leave pay**

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

**o) Budget Information.**

The original budget for **FY 2021-2022** was approved by the Board of Directors on 26<sup>th</sup> June 2021. The company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 58 of these financial statements.

**p) Comparative figures**

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

**q) Subsequent events**

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

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Notes to the Financial Statements (continued)

5	Sales	2022	2021
		Kshs	Kshs
	Water charge	303,265,106	291,552,789
	Sewerage charge	55,867,488	52,337,913
	Credit Adjustment	-	(4,336,177)
		<b>359,132,594</b>	<b>339,554,525</b>

- Water charges refer to total bills rendered on a monthly cycle based on customer meters read. The performance was below expectations due to road grading, failure of pumps and rampant illegal consumption.
- Sewer charges are pegged at 75% of a customer's monthly water bill.
- Debit/Credit adjustments are posted to correct customer undercharge or overcharge respectively.

6	Cost of Sales	2022	2021
		Kshs	Kshs
	Water Treatment Chemicals		
	Opening Stock of Chemicals	1,090,713	1,974,244
	Purchase of Chemicals	30,718,946	19,993,135
	Closing Stock of Chemicals	(1,020,476)	(1,090,713)
		<b>30,789,183</b>	<b>20,876,666</b>
	Electricity Cost	84,722,271	76,250,103
	Direct Labor (Note 8(i))	29,565,505	23,662,331
	Employee Benefits (Note 8(ii))	1,259,169	1,354,164
		<b>146,336,128</b>	<b>122,143,264</b>

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

7	Other Income	2022	2021
		Kshs	Kshs
	New Connection Fee	6,073,929	5,883,173
	Meter Rent Charge	18,563,200	19,068,900
	Meter Replacement Charge	-	213,750
	Dis/Reconnection Charge	3,768,400	4,494,750
	Water Bowser	1,618,659	866,423
	Exhaustor Services	590,000	342,000
	Other Charges	3,718,761	4,240,539
	Grants CLSG	37,598,469	-
		<b>71,931,418</b>	<b>35,109,535</b>

Notes to the Financial Statements (continued)

- New Connection Fee is application charge levied on a customer seeking to secure Water and or sewerage services.
- Meter Rent Charge is included in the monthly water bill and it is meant for maintenance and replacement of consumer meters. The charge varies depending on the meter size.
- Meter Replacement Charge is levied on a customer who tempers with the meter making it to malfunction.
- Dis/Reconnection Charge is levied to customers whose accounts have been disconnected due to non – payment of water bill.
- Water bowser comprises of water sales delivered to customers using company water tanker outside the company area of operation.
- Exhauster Services is a charge levied to customers that use the company sewer line to dump waste from their septic tanks.
- Other Income refers to any other fee levied to customers such as statement printing charge, charges on bounced cheques, Illegal Penalty, Meter Testing Charge etc
- The Grant of Ksh 37.6 was received from WSTF as a conditional liquidity to caution the company against Covid 19 Pandemic.

8	Administration Costs	2022	2021
		Ksh	Kshs
	Staff and Other related Expenses (Note 8(a))	144,520,230	155,144,585
	Board Expenses (Note 8(b))	9,044,216	10,139,863
	Office General Expenses (Note 8(c))	32,080,460	36,449,455
	Repairs & Maintenance (Note 8(d))	23,770,516	21,613,008
	Specialized Services (Note 8(e))	11,482,749	7,266,717
	Prov. For Bad & Doubtful Debts (Note 8(f))	1,555,439	(238,249)
		<b>222,453,610</b>	<b>230,375,379</b>

8(a)	Staff and Other related expenses	2022	2021
		Kshs	Kshs
	Staff Costs (Note 8(i))	103,655,629	112,666,641
	Employee Benefits (8(ii))	12,246,467	17,012,042
	Staff recruitment		1,499,159
	Staff Training Expenses	3,815,164	3,005,538
	Training levy NITA	176,350	108,450
	Travelling and accommodation	20,354,477	16,671,641
	Protective Gears/uniforms	722,986	949,650
	Bonuses	-	739,000
	Wages	1,012,910	842,564
	Staff Welfare & Sports	2,536,252	1,649,900
		<b>144,520,230</b>	<b>155,144,585</b>

- Staff Costs relates to salaries and allowances to permanent staff, wages to temporary staff, leave allowance
- Training levy are levies paid to NITA.
- Employee benefits comprise of National Social Security Fund, Lastrust, Lapfund pension scheme and Gratuity paid to staff on contract. Calculated in note 8(ii))

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Notes to the Financial Statements (continued)

- Staff recruitment relates advertisement, shortlisting and panelist allowances for the position of Managing Director.
- Staff training costs are incurred in order to equip staff the relevant skills that will enable them perform their duties diligently.
- Travelling and accommodation is incurred to cater for staff travels both within the cluster and outside the company
- Protective gear is the cost incurred on gloves, staff overalls and safety boots.
- Bonuses relates to end year rewards to staffs
- Staff welfare and sports is the cost incurred on staff funerals, gift vouchers to outgoing staff and WASCO games

8(b)	Board Expenses	2022 Kshs	2021 Kshs
	Sitting Allowance & Honorarium	2,958,520	2,985,294
	Secretarial Services	643,772	524,205
	Board Travelling & Entertainment	3,131,126	3,811,064
	Board training	1,185,142	2,171,700
	Stakeholders and Marketing	436,980	-
	Annual General Meeting	688,676	647,600
		<b>9,044,216</b>	<b>10,139,863</b>

- Sitting allowance and Honorarium refers to sitting allowance paid to members of the Board when they attend meeting. Honorarium is monthly allowance paid to the Chairman of the board.
- Board training is cost incurred to train board of directors about governance issues in the water sector.
- Board travelling & entertainment is a cost incurred to facilitate Board members travels
- Company secretarial services are cost incurred by external personnel seconded from LVNWWDA to provide professional advice on legal issues to the company.
- Annual General Meeting is cost for facilitating holding of the company shareholders meeting.

8(c)	Office General Expenses	2022 Kshs	2021 Kshs
	Office maintenance	1,424,798	314,787
	Office Electricity and water	181,539	788,076
	Postage and Courier Services	817,910	1,249,989
	Communication Services and Supplies(Internet and Airtime)	2,026,938	2,351,141
	Printing, Stationery and Photocopy	3,174,215	4,616,478
	Advertising and Publicity and Newspaper	1,108,254	1,494,040
	Hospitality Supplies and Services	7,503,290	7,678,033
	Bank Charges and Commissions	2,193,390	2,341,720
	Insurance Costs	1,226,641	1,504,973
	Fuel cost generator	37,550	-
	Business Permits & Penalties	-	189,000
	Security Services	12,385,935	13,921,218
		<b>32,080,460</b>	<b>36,449,455</b>

Notes to the Financial Statements (continued)

- Office and maintenance expenses include expenditure on repairs of offices and cleaning of the company compound
- Office Electricity refers to expenses incurred on electricity charge consumed in the offices
- Postage and courier services refer to expenses incurred in delivery of parcels and sending bill message alerts to customers.
- Communication services and supplies refer to expenses incurred in the purchase of bundles and internet services
- Printing, stationery and photocopy refer to expenses incurred in the purchase of printing papers, pre printed bills, general stationery, tonners and cartridges
- Advertising and publicity promotion refer to expenses incurred in the purchase of newspapers, periodicals, journals, advertisement and public sensitization.
- Hospitality supplies and services include expenses incurred in the provision of tea to staff, meals during meetings and conferences and donations

8(d)	Repair and Maintenance	2022	2021
		Kshs	Kshs
	Pipeline & sewer repairs and maintenance	2,101,510	1,051,788
	Plant and Treatment works repairs	10,291,500	7,353,274
	Motor Vehicle & Cycle Repairs	3,688,471	4,760,577
	Fuel, lubricants for Motor Services Supplies	5,721,951	6,062,255
	Sewer line repair	1,280,655	1,207,787
	Tool and equipment hire	73,520	1,152,609
	Computer and Equipment repairs	612,907	24,718
		<b>23,770,516</b>	<b>21,613,008</b>

- Pipeline & sewer repairs and maintenance include expenditure on repairs and extension of water pipeline and sewer and is adjusted for opening and closing technical stock
- Plant and Treatment works repairs include expenditure incurred for dislodging desilting replacement of filter media in the treatment plants
- Motor Vehicle & Cycle Repairs refers to expense incurred in vehicle maintenance and motor cycle
- Tools refers to sewer rods, jembes, slashers, spades used in operation
- Fuel, lubricants for Motor Services Supplies refers to cost incurred for smooth running of vehicles and cycles

8(e)	Specialized Services	2022	2021
		Kshs	Kshs
	Subscriptions for staff and VASPA	1,341,297	559,820
	Meter Audit	648,920	1,429,150
	Legal Fees	6,437,999	1,637,602
	NEMA	420,000	-
	Consultancy Services	2,134,373	3,132,124
	Non-Revenue water	444,160	-
	QMS	56,000	508,021
		<b>11,482,749</b>	<b>7,266,717</b>

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Notes to the Financial Statements (continued)

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

8(f)	Provision for Bad and Doubtful Debts	2022	2021
		Kshs	Kshs
	Gross receivables	386,312,495	355,203,722
	Provision for bad and doubtful debts	(19,315,625)	(17,760,186)
		<b>366,996,870</b>	<b>337,443,536</b>

- The company computes a general provision of 5% of outstanding receivable at the close of the financial year. Provision for bad and doubtful debts increased by Ksh 1,555,439 from Kshs. 17,760,186 in 2020 to Kshs 19,315,625 in 2022

8 (i)	Staff Costs	2022	2021
		Kshs	Kshs
	Salaries and allowances of permanent staff	130,306,320	133,088,701
	Wages of temporary employees	1,012,910	842,564
	Leave allowances	2,914,814	3,240,271
	Staff levy (NITA)	176,350	108,450
		<b>134,410,394</b>	<b>137,279,986</b>
	<b>Apportioned as</b>		
	<i>Administration costs</i>		
	Basic pay	70,308,280	77,457,033
	Allowances	30,979,922	32,512,672
	Leave allowances	2,367,427	2,696,936
	<b>To Administrative Cost</b>	<b>103,655,629</b>	<b>112,666,641</b>

	Apportionment of Staff Cost to Cost of Sales	2022	2021
		Kshs	Kshs
	<i>Cost of Sales</i>		
	Basic pay	21,922,653	16,148,928
	Allowances	7,095,465	6,970,068
	Leave allowances	547,387	543,335
	<b>To Cost of Sales</b>	<b>29,565,505</b>	<b>23,662,331</b>
	Wages	1,012,910	842,564
	Staff levy (NITA)	176,350	108,450
	<b>Total Staff Cost</b>	<b>134,410,394</b>	<b>137,279,986</b>

8(ii)	Employee Benefits		
	Compulsory national social security scheme	548,500	533,700
	Other pension contributions	5,876,869	7,148,847

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	Gratuity	7,080,262	3,985,907
	Medical expenses		6,697,752
		<b>13,505,631</b>	<b>18,366,206</b>
	Appor tioned as		
	Administrative Cost		
	NSSF	425,500	425,500
	Lap fund	2,841,783	3,629,310
	Lap trust	1,898,917	2,273,573
	Medical expenses		6,697,752
	Gratuity	7,080,262	3,985,907
	<b>To Administrative Costs</b>	<b>12,246,462</b>	<b>17,012,042</b>
	Appor tioned as		
	Cost of Sales		
	NSSF	123,000	108,200
	Lap fund	641,934	735,890
	Lap trust	494,235	510,074
	<b>To Cost of Sales</b>	<b>1,259,169</b>	<b>1,354,164</b>
		<b>13,505,631</b>	<b>18,366,206</b>

8(iii)	The average number of employees at year end	No	No
	Management	11	11
	Permanent ( Union sable	170	185
	Contract and Temporary Employees	83	76
	<b>Total Number of Employees</b>	<b>265</b>	<b>272</b>

9	Administrative Levies	2022	2021
		Kshs	Kshs
	Administrative Levies to WASREB	15,371,348	14,598,155
	Administrative Levies to WARMA	3,461,435	11,207,597
		<b>18,832,783</b>	<b>25,805,752</b>

- Administrative levies to Water Services Regulatory Board (WASREB) are calculated at the rate of 4% of the total revenue billed.
- Administrative levies to Water Resource Authority (WRA) is billed quarterly at the rate of 50 cents per meter cubed (M3) of water abstracted from the river by the company

10	Operating Profit/ (Loss)	2022	2021
		Kshs	Kshs
	<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
	Staff and other related expenses	144,520,230	155,144,585
	Board expenses	9,044,216	10,139,863
	Office general expenses	32,080,460	36,449,455
	Repairs & maintenance	23,770,516	21,613,008
	Specialized services	11,482,749	7,266,717
	Provision For Bad & doubtful Debts	1,555,439	(238,249)
	Administrative levies	18,832,783	25,805,752

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	Depreciation of property, plant and equipment	20,633,191	17,920,298
	Amortization of Intangible Assets	142,207	1,760,434
		<b>262,061,794</b>	<b>275,861,863</b>

<b>11</b>	<b>Finance Income</b>	<b>2022</b>	<b>2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Interest Income on Short Term bank deposit	739,364	582,565
	The bank operated a fixed deposit account from which earned interest		

<b>13</b>	<b>Income Tax Expense</b>	<b>2022</b>	<b>2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Profit before tax	23,405,457	(22,758,502)
	<b>Add disallowable expenses</b>		
	Depreciation charge	20,633,191	17,920,298
	Amortization charge	142,207	1,760,434
	Increase in provision for bad and doubtful debts	1,555,439	(238,249)
	Taxable profit	<b>45,736,294</b>	<b>(3,316,019)</b>
	Less wear and tear	(20,633,191)	(17,920,298)
	Adjusted profit	<b>25,103,103</b>	<b>(21,236,317)</b>
	Net tax liability (30%)	<b>7,530,931</b>	<b>(6,370,895)</b>
	<b>Reconciliation of tax expense/(credit) to the expected tax based on accounting profit</b>		
	<b>Profit before Taxation.</b>	<b>23,405,457</b>	<b>(22,758,502)</b>
	Tax at the applicable tax rate of 30%	7,021,637	(6,827,551)
	Tax effects of expenses not deductible for tax purposes	(6,189,957)	(5,376,089)
	Tax effects of income not taxable	6,699,257	5,832,745
		<b>7,530,931</b>	<b>(6,370,895)</b>

**14 Earnings Per Share**

No new Ordinary Shares were issued during the year ended 30<sup>th</sup> June, 2022

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Notes to the Financial Statements (continued)  
15 Property Plant and Equipment

Cost or Valuation	Furniture & Fittings	Computer & Related Equipment	Network (Water Pipeline and Infrastructure)	Water Meters	Water Pump – Matisi T/W	Motor Cycles	Mobile Phones	Total
2021/2022	12.50%	33.30%	12.50%	12.50%	12.50%	25%	33.30%	
At July 1, 2022	7,621,625	13,883,202	93,860,405	43,749,834	2,731,309	976,000	451,769	153,274,144
Additions	1,402,294	2,981,845	5,713,324	2,928,620	4,816,805	649,448	392,584	18,884,920
At June 30, 2022	9,023,919	16,865,047	89,573,729	46,678,454	7,548,114	1,625,448	844,353	172,159,064
Depreciation								
At July 1, 2021	(952,703)	(430,901)	(10,482,551)	(5,468,729)	(341,414)	(244,000)		(17,920,298)
Charge for the year	(1,127,990)	(992,954)	(11,196,716)	(5,834,807)	(943,514)	(406,362)	(130,848)	(20,633,191)
At June 30, 2022	(1,127,990)	(992,954)	(11,196,716)	(5,834,807)	(943,514)	(406,362)	(130,848)	(20,633,191)
Net Book Value								
At June 30, 2022	7,895,929	15,872,093	78,377,013	40,843,647	6,604,600	1,219,086	713,505	133,605,575

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15 Property Plant and Equipment

Cost or Valuation 2019/2020	Furniture & Fittings 12.5%	Computer & Related Equipment 33.3%	Network (Water Pipeline and Infrastructure) 12.5%	Water Meters 12.5%	Water Pump – Matisi T/W 12.5%	Motor Cycles 25%	Mobile Phones 33.3%	Total
At July 1, 2020	7,429,496	12,589,204	78,272,426	37,589,834	2,731,309	976,000	383,975	139,972,244
Additions	192,129	1,293,998	5,587,979	6,160,000	-	-	67,794	13,301,900
At June 30, 2021	7,621,625	13,883,202	83,860,405	43,749,833	2,731,309	976,000	451,769	153,274,144
Depreciation								
At July 1, 2020	(928,687)	-	(9,784,053)	(4,698,729)	(341,414)	(244,000)	(127,864)	(16,124,747)
Charge for the year	(952,703)	(430,901)	(10,482,551)	(5,468,729)	(341,414)	(244,000)	-	(17,920,298)
Eliminated on Disposal	-	-	-	-	-	-	-	-
At June 30, 2021	(1,881,390)	(430,901)	(20,266,604)	(10,167,458)	(682,828)	(488,000)	(127,864)	(34,045,045)
Net Book Value								
At June 30, 2021	5,740,235	13,452,301	63,593,801	33,582,375	2,048,481	488,000	323,905	119,229,099

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Notes to the Financial Statements (continued)

16	Intangible Assets	2022	2021
		Kshs	Kshs
	At July 1, 2021	6,994,310	4,977,514
	Additions	570,426	2,016,796
	At June 30, 2022	<b>7,564,736</b>	<b>6,994,310</b>
	Amortization		
	At July 1, 2021	(5,656,772)	(3,896,338)
	Charge for the year	(142,607)	(1,760,434)
	At June 30, 2022	<b>(5,798,979)</b>	<b>(5,656,772)</b>
	Net Book Value at June 30, 2022	<b>1,765,757</b>	<b>1,337,538</b>

18	Inventories	2022	2021
		Kshs	Kshs
	Technical Stock	8,761,713	10,626,426
	Chemicals	1,020,476	1,090,713
		<b>9,782,189</b>	<b>11,717,139</b>

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

19	Trade and Other Receivables	2022	2021
		Kshs	Kshs
	Trade receivables (Note 19(a))	366,996,870	337,443,536
	Deposit and prepayments	1,365,849	1,365,849
	Unpaid Share Capital	67,020	67,020
	Staff receivables	974,606	1,053,870
	Customer water deposit (NWCPC)	1,045,560	1,045,560
	Deposit refund	1,964,944	-
	Un claimed VAT	4,507,226	4,507,226
		<b>376,922,075</b>	<b>345,483,061</b>

- Deposit and prepayments refers deposits made to Kenya Power when the company secured Kenya power connections.
- Staff Receivables refers to outstanding salary advance to staff at the close of the year. Staff salary advance is recoverable in three months.
- Unpaid Share capital refers 3,351 shares out of 5,000 shares at kshs 20 issued to then the municipal council of Kitale, Webuye, Kimilili and Bungoma but are unpaid as at the close of the financial year.
- Customer water deposit refers to deposits paid by customers to National Water and pipeline corporation but was not transferred to Nzoia water.
- VAT Control refers to unpaid refund to the company at the close. VAT Tax withholding, the company holds 6% of the supplier's tax and remits to K.R.A on a monthly basis by 19<sup>th</sup> day of every month.

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19(a)	Trade Receivables	2022	2021
		Kshs	Kshs
	Gross receivables	386,312,495	355,203,722
	Provision for bad and doubtful debts	(19,315,625)	(17,760,186)
		<b>366,996,870</b>	<b>337,443,536</b>

The provided is a general provision of 5%

Aging of Trade Receivables			
	Kitale	209,642,393	192,924,028
	Bungoma	74,605,601	66,375,849
	Webuye	47,510,404	46,628,387
	Kimilili	33,939,362	31,505,614
	Chwele	20,614,735	17,769,844
		<b>386,312,495</b>	<b>355,203,722</b>

20	Short term deposit	2022	2021
		Kshs	Kshs
	Short term deposit – Equity Bank	15,815,266	15,815,266

The company held Ksh 15.8 million in fixed deposit during the year at an effective rate of 7%.

21	Cash and Bank balances	2022	2021
		Kshs	Kshs
	Equity ( Bungoma (A/C No 0486291148425)	430,857	143,314
	Equity Operations Kitale A/C No 033029337641	42,944	413,928
	Equity Revenue ( Kitale (A/C No 033029145916)	514,502	590,896
	KCB ( Bungoma ( Materials (A/C No 1103241358)	4,508,510	10,771,297
	KCB ( Bungoma ( Savings A/C No 1135620318)	186,409	186,409
	Mpesa working capital account	5,243	3,691
	Mpesa Account	363,830	644,657
	KCB – Operations Webuye A/C No 1107155924	180,013	495,904
		<b>6,232,308</b>	<b>13,250,096</b>

22	Ordinary Share Capital	2022	2021
		Kshs	Kshs
	Authorized 7,505,000 shares at ksh 20 par value	150,100,000	150,100,000
	Issued and Fully Paid For 2,005,000 Shares at Kshs 20 par value	40,100,000	40,100,000
	Issued shares not paid for 2,500,000 Shares at Kshs 20 per value	50,000,000	50,000,000

<b>24</b>	<b>Trade and Other Payables</b>	<b>2022 Kshs</b>	<b>2021 Kshs</b>
	Trade Payables	116,556,634	83,565,179
	Water Deposit NWPC	1,045,560	1,045,560
	VAT WHT	933,808	126,015
	Payroll Liabilities(Un paid salaries as at June 2022)	11,199,476	11,909,792
	Other Payables	56,123,779	57,855,014
	Water Deposit	68,489,011	57,430,456
	Unapplied Cash Liability Unknown bank direct	19,273	1,631,891
		<b>254,367,541</b>	<b>213,563,907</b>

#### **25 Retirement Benefits Obligation**

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

	<b>2022 Kshs</b>	<b>2021 Kshs</b>
Balance		
Laptrust	19,568,610	15,113,775
Lapfund	25,728,994	17,986,972
NSSF	146,800	152,900
	<b>45,444,404</b>	<b>33,253,647</b>

#### **26 Related Party Disclosures**

<b>a)</b>	<b>Key Management Compensation</b>	<b>2022 Kshs</b>	<b>2021 Kshs</b>
	Directors' emoluments	9,044,216	10,139,863
	Compensation to the CEO	-	-
	Compensation to key management(Gratuity)	7,080,262	3,985,907
		<b>16,124,478</b>	<b>14,125,770</b>

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

<b>b)</b>	<b>Due to Related Parties</b>	<b>2022 Kshs</b>	<b>2021 Kshs</b>
	County Governments	7,152,530	7,152,530
	Lake Victoria North Water Services Board	101,832,688	101,832,688
	Water Services Regulator's Board	20,102,578	20,102,578
	Water Resource Management Authority	11,809,111	11,809,111
		<b>140,896,907</b>	<b>140,896,907</b>

The Lake Victoria North Water Works Agency Development and NZOWASCO entered into Service provision agreement under which the service board agreed to provide to the service

Notes to the Financial Statements (continued)

provider with infrastructure, fixed assets and facilities associated with management and administration of the services. During the period of SPA the service provider is required to pay the water service Board a portion of collected revenue for the use of assets. During the year under review the amount was charged as administrative levies.

		<b>2022</b>	<b>2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>27</b>	<b>Cash and bank balances</b>		
	Short term deposits	15,815,266	15,815,266
	Cash and bank balances	6,232,308	13,250,096
	Borrowings	-	-
		<b>22,047,574</b>	<b>29,065,362</b>

		<b>2022</b>	<b>2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>28</b>	<b>Contingent Liability</b>		
	Legal Claims against the Company	6,500,000	5,000,000

As at 30th June, 2022 Nzoia water had pending lawsuits which relate to legal claims by former employees and customers estimated at Kshs 6.5 million. Judgement in respect of these cases had not been determined as at 30th June, 2022. The amount has been disclosed in these financial statements as it was not possible to accurately quantify the potential liability arising from all of them. The Directors are of the opinion that any outstanding litigation in this respect will not have a material effect on the financial position or results of the company.

### 29. Financial Risk Management

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

#### i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

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	<b>Fully Performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total amount</b>
<b>As at 30 June, 2022</b>	Kshs	Kshs	Kshs	Kshs
Receivable from exchange transactions	125,625,440	241,371,430	19,315,625	386,312,495
Receivable from non exchange transactions	7,446,776	2,478,429	-	9,925,205
Bank Balances	22,047,574	-	-	22,047,574
<b>Total</b>	<b>155,119,790</b>	<b>243,849,859</b>	<b>19,315,625</b>	<b>418,285,274</b>
<b>As at 30 June, 2021</b>				
Receivable from exchange transactions	117,423,551	222,019,985	17,760,186	355,203,722
Receivable from non exchange transactions	5,953,870	2,478,429	-	8,432,299
Bank Balances	29,065,362	-	-	29,065,362
<b>Total</b>	<b>152,442,783</b>	<b>222,498,414</b>	<b>17,760,186</b>	<b>392,701,383</b>

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

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

#### ii) Liquidity risk management

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

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

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>
<b>At 30 June 2022</b>	Kshs	Kshs	Kshs
Trade Payables	11,199,476	36,868,147	68,489,011
Other payables	56,123,779	-	-
Employee benefit obligation	1,259,169	12,246,462	-
<b>Total</b>	<b>67,323,255</b>	<b>49,114,609</b>	<b>68,489,011</b>
<b>At 30 June 2021</b>			
Trade Payables	7,320,713	21,962,139	58,565,703
Other payables	45,480,176	-	-

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Employee benefit obligation	1,559,968	5,717,238	-
<b>Total</b>	<b>54,360,857</b>	<b>27,679,377</b>	<b>58,565,703</b>

### iii) Market Risk

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

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

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

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

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

### iv) Interest Risk

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

#### Management of interest rate risk

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

### v. Capital Risk Management

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

	2022	2021
	Kshs	Kshs
Ordinary share capital	90,100,000	90,100,000
General Reserves	250,468	250,468
Retained earnings	13,075,307	28,767,270
<b>Total Funds</b>	<b>103,425,775</b>	<b>119,117,738</b>
Total borrowings	-	-
Less: Cash and Bank balances	6,232,308	13,250,096
<b>Net debt (excess cash and cash equivalent)</b>	<b>6,232,308</b>	<b>13,250,096</b>
<b>Gearing</b>	<b>(0.05%)</b>	<b>(0.110%)</b>

### 30. Incorporation

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

### 31. Events after the reporting period

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

### 32. Currency

The financial statements are presented in Kenyan Shillings (Kshs)

## APPENDIX J: PROGRESS ON FOLLOWUP OF AUDITORS RECOMMENDATION

AUDIT AREA	QUERY BY AUDITOR GENERAL	IMPLEMENTATION STATUS																								
<b>1. Trade Receivables</b>	<p>Included in the trade and other receivables opening balance of Kshs.353, 555,203 is an amount of Kshs.8,993,548 being unapplied adjustment for 2016/2017 which had been carried down over the years. However, it was noted from the opening schedules that the item had nil balance in 2019/2020 notwithstanding non provision of documentation on how the balance was settled.</p> <p>Further, included in the trade and other receivables balance Kshs.381, 285,808, as detailed at Note 19 to the financial statements are figures for VAT control of Kshs.23,647,636, and prepayments on withholding tax of Kshs.12,429,972 which have not been supported.</p> <p>In addition, it was noted that a figure of Kshs.67,020 for unpaid share capital has been included as part of the trade and other receivable balance as at 30 June, 2020 notwithstanding the item being non trading in nature.</p>	Debt management policy is under review to make it more effective in debt management.																								
<b>2. Accuracy of Trade and Other Receivables</b>	<p>It was further noted that the trade and other receivables figure of Kshs.381,285,808 includes a figure of Kshs.341,970,266 relating to trade receivables after deducting provision for bad and doubtful debts figure of Kshs.17,998,435 as detailed at Note 19(a) to the financial statements. Further, it was noted that the figure of Kshs.341,970,266 detailed under note 19(a) to the financial statements differs with the generated debtors aging analysis which indicated Kshs.337,328,587 resulting to a variance of Kshs.4,641,679. Also, review of the company's aging analysis report as at 30 June, 2020 revealed that trade receivables totaling Kshs.312,832,472 have remained outstanding for over 90 days as detailed below:</p>	The debt management policy which was implemented will address the issues raised.																								
	<table border="1"> <thead> <tr> <th>Area/Scheme</th> <th>1 to 30 Days Kshs.</th> <th>31 to 60 days Kshs.</th> <th>61 to 90 days Kshs.</th> <th>Over 90 days Kshs.</th> <th>Total due Kshs.</th> </tr> </thead> <tbody> <tr> <td>Kitale</td> <td>12,177,574.8</td> <td>9,112,487.97</td> <td>7,578,083.23</td> <td>156,191,368.69</td> <td>185,059,514.74</td> </tr> <tr> <td>Kimilili</td> <td>2,293,825.24</td> <td>1,988,406.00</td> <td>1,527,865.03</td> <td>27,444,418.30</td> <td>33,254,514.57</td> </tr> <tr> <td>Webuye</td> <td>2,720,523.63</td> <td>2,057,632.46</td> <td>1,811,451.25</td> <td>39,456,242.52</td> <td>46,045,849.86</td> </tr> </tbody> </table>	Area/Scheme	1 to 30 Days Kshs.	31 to 60 days Kshs.	61 to 90 days Kshs.	Over 90 days Kshs.	Total due Kshs.	Kitale	12,177,574.8	9,112,487.97	7,578,083.23	156,191,368.69	185,059,514.74	Kimilili	2,293,825.24	1,988,406.00	1,527,865.03	27,444,418.30	33,254,514.57	Webuye	2,720,523.63	2,057,632.46	1,811,451.25	39,456,242.52	46,045,849.86	
Area/Scheme	1 to 30 Days Kshs.	31 to 60 days Kshs.	61 to 90 days Kshs.	Over 90 days Kshs.	Total due Kshs.																					
Kitale	12,177,574.8	9,112,487.97	7,578,083.23	156,191,368.69	185,059,514.74																					
Kimilili	2,293,825.24	1,988,406.00	1,527,865.03	27,444,418.30	33,254,514.57																					
Webuye	2,720,523.63	2,057,632.46	1,811,451.25	39,456,242.52	46,045,849.86																					

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	Chwele	1,176,917.46	735,278.20	917,155.27	12,663,093.51	<b>15,492,444.44</b>
	Bungoma	6,127,275.81	3,804,215.96	2,240,796.28	45,303,976.25	<b>57,476,264.30</b>
	<b>Total</b>	<b>24,496,116.99</b>	<b>17,698,020.59</b>	<b>14,075,351.06</b>	<b>281,059,099.27</b>	<b>337,328,587.91</b>
	<p>In addition, there was an increase in the balance of trade receivable by Kshs.27,730,605 that was from Kshs.353,555,203 in 2018/2019 to Kshs.381,285,808 in 2019/2020 financial year. Although the company has a debt management policy and a committee in place, no meaningful progress has been reported towards recovery of the debts.</p> <p>In the circumstances, it was not possible to confirm the completeness and accuracy of the trade receivables balance of Kshs.381,285,808 for the year under review.</p>					
<b>3. Budget Performance Analysis</b>	<p>During the year under review, Nzoia Water Services Company Ltd budgeted to collect revenue from internal sources totaling Kshs.450,000,000. However, actual collection amounted to Kshs.386,653,834 resulting to an under collection of Kshs.63,346,166 or 14% of the total budget. It was further noted that the budgeted expenditure for the financial year under review was Kshs.364,321,877 while the actual expenditure was Kshs.315,117,893 resulting to an overall under expenditure of Kshs.19,203,984 (14%). In addition, over/under expenditures of over 10% were noted in the individual budget line items but the variations were not explained.</p> <p>In the circumstances, the Management may not have implemented the budgets as required.</p>					
<b>4. Non(Revenue Water</b>	<p>During the year under review the total volume of raw water received for treatment from intake totalling 9,327,657cubic meters. The billed water which was available for sale during the year under review was 4,068,976 cubic meters and sold to customers for Kshs.339, 951,198. The balance of 5,258,681 cubic meters or approximately 56% of the total volume represents non(revenue water which is 31% over and above the allowable loss of 2,331,914 cubic meters or 25% of total production prescribed in the guidelines issued by the Water Services Regulatory Board. The significant level of non(revenue water was at 2,926,767 cubic meters billed at an average of Kshs.55 per cubic meter resulting in loss of sales estimated at Kshs.160,972,185 which had an impact on the company's' profitability and could erode sustainability of its operations.</p> <p>Further, a visit to the site of Nzoia and Kapolet treatment plant on 18 March, 2021 revealed that the raw water received for treatment had no master meter indicating that the total produced water at source was made on estimates. In addition, enquiry on other six remaining treatment plant revealed that no master meters for raw water was in place thus giving more doubts on the accuracy of total quantity produced.</p> <p>In the circumstances, the Company may not meet its strategic goals of providing water to the residents and further this may impact negatively on the Company's profitability and long term sustainability.</p>					
<b>5.</b>	<p>According to Section135(2) of the Public Procurement and Assets Management Act, Phase 1 was</p>					

<p><b>Procurement of Enterprise Resource Planning (ERP) Software</b></p>	<p>Disposal Act 2015, an Accounting Officer of a procuring entity shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarification that emanates from the procurement proceedings. However, during audit, it was noted that the Company acquired an ERP software from M/s Magnetic Technologies at Kshs.6,912,000 vide contract signed on 14 March, 2018 for which the software should have been developed, installed and maintained within 13 (thirteen) weeks. However, as at the time of audit in March, 2020, the ERP software had not been concluded and closed for commissioning for use three years since the contract was signed. However, it was noted that the agreement for the contract was signed 17 (seventeen) days after the commencement of the contract which was irregular. In addition, the contract negotiating team changed the terms/basis of the tender from development, installation and maintenance of integrated software to billing module and mobile technology. In addition, in 2017, Wasreb developed model water billing software requirements which formed minimum customizable requirements for water companies in Kenya. However, Wasreb minimum requirements were not complied with and the exact cost of the project could not be determined since the procuring entity also procured equipment for the system such as servers amongst others. From the foregoing, the Management of the company was in breach the law.</p>	<p>concluded, the pending issues is the maintenance contract which is in progress.</p>
<p><b>6. Non Remittance of Retirement Contributions.</b></p>	<p>According to section 53 A (1) of the Retirement Benefits Act, where an employer is having agreement of an employee who is a member of a scheme, an employer is supposed to make deduction from the employee's emoluments for remittance to the scheme, and if the employer fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the same. However, contrary to the law it was noted that the company made deductions from the employees which was reported in the statement of financial position as retirement benefits of Kshs.29,551,948 at Note 25 but these deductions were not remitted to the relevant bodies which include L.A.P.T.P.U.S.T, L.A.P.FUND and NSSF. In the circumstances, the Management was in breach of the law.</p>	<p>The company is in the process of remitting the arrears with the current amounts.</p>
<p><b>7. Non Compliance with Memorandum &amp; Articles of Association</b></p>	<p>As reported previously, although the Company management indicated that the Company's Memorandum and Articles of Association were changed to incorporate the current state of affairs and operation, the registration of the amendments had not been effected. As a result, the registered documents remained as they were presented at the time of registration in 2004, and for which the Company has violated as follows;</p> <p>i. The share capital authorized is Kshs.100,000 divided into 5000 shares of Kshs.20 each. The Company at Note 22 has recorded authorized share capital of Kshs.150,100,000 divided into 7,505,000 shares of Kshs.20 each out of which 2,005,000 shares have been issued and fully paid while 2,500,000 shares have been issued but not paid.</p>	<p>The process of filling returns is still underway pending the outcome of the decision of the task force appointed by the AGM in FY 2020/2021 to determine status of shareholding between the two county</p>

	<p>ii. There is no evidence of transfer of shares to the County Governments of Bungoma and Trans Nzoia by the following registered owners of the Company;</p> <ul style="list-style-type: none"> <li>• Municipal Council of Bungoma 1,649 shares</li> <li>• Municipal Council of Kitale 1,854 shares</li> <li>• Municipal Council of Webuye 1,497 shares</li> </ul> <p>ii. There is also no evidence that the Company has been filing returns at the Registrar of Companies as required. Consequently, the Company is in breach of its Memorandum and Articles of Association and Companies Act.</p>	Governments.
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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

The Company purchased operational assets amounting Ksh 18,884,920 as outlined in note 15

**APPENDIX III: INTER PARTY TRANSFERS**

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

**APPENDIX IV: RECORDING OF TRANSFER FROM OTHER GOVERNMENT ENTITIES**

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

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

**Revenue:**

The company did not achieve the targeted amounts of ksh 481,965,524 and had an unfavorable variance of 22.5%, this was contributed majorly by Road grading, rampant illegal consumption, supply failure due to breakdown of pumps where collection was greatly affected.

**Electricity cost:**

The component had an unfavorable variance of 7.5%. This was due to change in fuel prices and inflation rate of the economy.

**Hospitality:**

The company vote head was over spent by 4.6%. During the period the prices of goods increased spontaneously due to economic condition of the country.

**Plant and treatment repair:**

The vote head was unfavourable by 12.6% due to major breakdown of pump at Matisi and Nzoia treatment plants. The company is in the process of procuring a new pump to arrest the issue.

**Bank charges:**

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This is majorly downloading of Mpesa and bank statement the vote head exceeded by 2.9% during the year.



DR. Joseph Munyasi  
**CHAIRPERSON**



CPA Mathew Maruti Wakhungu  
**MANAGING DIRECTOR**