

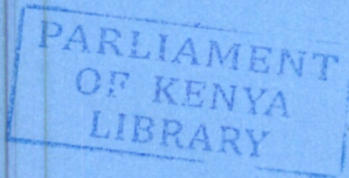
REPUBLIC OF KENYA



Enhancing Accountability

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REPORT



OF

THE AUDITOR-GENERAL

ON

**NAKURU WATER AND SANITATION SERVICES
COMPANY LIMITED**

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

Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023



Enriching Life



NAKURU WATER AND SANITATION SERVICES CO. LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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



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1. Acronyms and Glossary of Terms

AfDB	-	African Development Bank
ERP	-	Enterprise Resource Planning
CMT	-	Corporate Management Team
CPF	-	County Pension Fund
CRVWDA	-	Central Rift Valley Water Works Development Agency
KPLC	-	Kenya Power and Lighting Company
KRA	-	Kenya Revenue Authority
LAP	-	Local Authority Pension
LATF	-	Local Authorities Transfer Fund
MCN	-	Municipal Council of Nakuru
NAWASSCO	-	Nakuru Water and Sanitation Services Company
NGO	-	Non-Governmental Organisation
NEMA	-	National Environment Management Authority (NEMA)
NSSF	-	National Social Security Fund
NHIF	-	National Hospital Insurance Fund
NRW	-	Non-Revenue Water
SPA	-	Service Provision Agreement
SACCO	-	Savings and Credit Co-operatives
VAT	-	Value Added Tax
WASREB	-	Water Services Regulatory Board

2. KEY COMPANY INFORMATION

Background information

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

Principal Activities

Vision

“To be the Leading Water Utility in Kenya”

Mission

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

Core Values

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

Our core values include the following:

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

The principal activities of the Company are to: -

- i. To ensure that it possesses and retains all the necessary expertise necessary to the Technical, Commercial, Financial and Administrative functions.
- ii. To provide the services within its Defined Service Area.
- iii. To meet all the required water standards, guidelines and provisions of the Service Provision Agreement (SPA)
- iv. To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.

Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

- v. To maintain the assets in good working condition and not to dispose of any assets without the authorization of the Licensee.
- vi. To prepare proposals for improvement of the assets so as to enhance service delivery. To propose tariff adjustments to the Licensee and Regulator.

Shareholding

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

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

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

Directors

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

1. Ernest Kiarie Muibu	Chairman	Appointed on 1 st July, 2022
2. Eng. James N. Gachathi	Managing Director	Reappointed on 23 rd October, 2022
3. CPA. Sebastian M. Kanyari	Non-Executive Director	Appointed on 15 th October, 2020
4. CPA. Charles Okeyo Owuor	Non-Executive Director	Appointed on 15 th October, 2020
5. Dr Nelson T Maara	Non-Executive Director	Appointed on 25 th Jan. 2023
6. S. Irebe Njogu	Non-Executive Director	Appointed on 25 th Jan. 2023
7. Joseph Kiuna	Non-Executive Director	Retired on 24 th January, 2023
8. Eng. Festus K. Ngeno	Non-Executive Director	Retired on 24 th January, 2023

Registered Office

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

Corporate Contacts

Telephone: +254221269

E-mail: info@nakuruwater.co.ke

Website: www.nakuruwater.co.ke

Corporate Bankers

Co-operative Bank of Kenya

Nakuru Branch

P.O. Box 2982-20100

NAKURU

Equity Bank

Kenyatta Avenue Branch

P.O Box 3178-20100

NAKURU

Family Bank

Kenyatta Avenue Branch

P.O Box 519-20100

NAKURU

Independent Auditors

Auditor General

The Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084- GPO 00100

NAIROBI

Principal Legal Advisers

County Attorney

County Government of Nakuru

P.O Box 2870-20100


NAKURU

3. 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 are the following:

NO	NAME	PROFILE
1.	 <p>Ernest Kiarie Muibu Non-Executive (Chairman)</p>	<p>Mr Muibu, 65, was appointed on 1st July, 2022 to represent Resident Organizations and he is the Chairman of the Board.</p> <p>He is currently the Managing Director of Avenue Suites Hotel in Nakuru, Vice chairman -Unitas Sacco, advisory member, Vice Chairman-So They Can, (an NGO that empowers children living in poverty through education). The Chairman-Operation Eyesight Universal, and a Director of Carnations Dry-cleaners-Nakuru</p> <p>Mr. Muibu has had the opportunity to serve in the defunct Municipal Council of Nakuru as a Town Clerk from 1997 to 1999. Mr. Muibu worked as a Principal Auditor, Auditor General State Corporations-Nakuru from 1990 to 1997. From 1983 to 1990, Mr. Muibu was the Assistant Inspector of State Corporations (Office of the President)-Nairobi.</p> <p>Mr. Muibu holds a B. Sc Degree in Business Administration from Emperia states university USA and associate of science degree in Intensive retailing , Apost graduate diploma in (Performance Auditing) from university of Connecticut USA.</p>

2.



**CPA Sebastian Mwangi
 Kanyari
 Non-Executive Director**

CPA Mwangi, 62, was appointed on 15th October, 2020 to represent the Manufacturing Community.

CPA Mwangi holds an MBA (Finance Option) degree from Egerton University and he is currently pursuing a Post Graduate Certificate in Audit & Management consultancy from Birmingham City University. In addition, he has CPA (K), he is a Member of ICPAK a practicing Accountant

CPA Mwangi is a Managing Partner Designate of Ruoro Kotut & Company Certified Public Accountant and had previously worked at various organizations such as Johanniter International Assistance in Berlin, Humedica International in Germany-Darfur Mission Sudan, Wangai Kotut & Company, Kenya Farmers Association Limited and National Cereals & Produce Board.

Committee membership: Audit & Governance committee and Finance & Staff committee.


3.




**CPA Charles Okeyo Owuor
 Non-Executive Director**

CPA Okeyo, 49, was appointed on 15th October, 2020 to represent the Learning Institutions. He holds a Bachelor of Law degree (LLB Hons) from Egerton University, Bachelor of Commerce (Finance Option) and MBA (Finance Option) degrees from Kabarak University. He has CPA (K) and is currently a PhD candidate at Egerton University in Business & Management (Finance Option). He is a member of ICPAK and Practicing Accountant. In addition, he is an Associate Member of Chartered Institute of Arbitrators, Certified Fraud Examiners, member of the Institute of Internal Auditors, Certified Professional Mediator and a member of Accredited Mediators High Court of Kenya. He was (2015 to 2018) and continues (2021 to 2023) to be Committee Member, Research and Development Committee at Institute of Certified Public Accountant of Kenya (ICPAK).

CPA Okeyo has wide experience in Research, Tax Law, Forensic Audit and Financial Management Practices, having worked as Chief Executive Officer, Calmape Engineering Ltd, Principal, MIS-Centre College of Accountancy of Management & Information Technology, Audit Manager,

		<p>A.M. Karoki & Associates, Certified Public Accountants of Kenya and Legal Intern, Odhiambo & Odhiambo Advocates. He is currently a Researcher, Forensic Auditor, Financial and Tax Consultant and a Managing Partner of Dalexa and Elphony Associates, Certified Public Accountants of Kenya.</p> <p>At the same time, CPA Okeyo is a Lecturer at Egerton University in the Department of Accounting, Finance & Management Science and a part time lecturer at various universities and colleges. Further, having been in academia environment for several years, CPA Okeyo has extensively authored and published over eight (8) peer reviewed articles in various distinguished academic journals and ten (10) other publications in ICPAK and KASNEB journals respectively. He is also a Financial Analyst and a member of certified Investment and Financial analyst (K) as well as a Consultant with the Kenya Accountants and Secretaries National Examination Board (KASNEB).</p> <p>Committee Membership: Finance & Staff Committee and Technical & Social Committee.</p>
4.	 <p>S. Iribe Njogu Non- Executive Director</p>	<p>Mr.Iribe was appointed on 25th January, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.</p> <p>Mr Iribe is a dependable and devoted executive with over 16 years of professional experience. Keen to support and a team player with excellent organizational and analytical skills. Also, ready to redesign to ensure efficiency, accountability and implementing a modernized work environment.</p> <p>Before joining the County Government of Nakuru he was working at Bigfoot Risk Management & Consultancy Ltd in Nairobi Jun 2020 a Consultancy firm & sourcing company with offices in Nairobi, Accra & New Jersey. He had previously worked at Soft Trace Apparels EPZ Ltd, Nairobi from March 2016 to April 2020 in charge of running garment production plant for export to the United States market, and sourcing for new markets for the products. He also worked as</p>



		<p>a Chief Executive Officer at Soft Ventures East African Ltd, Nakuru, Nairobi & Kampala from December 2010 to January 2016 incharge of running the company in uganda & kenya having started in Kampala Uganda managed to expand to Kenya and Rwanda. He had also worked Managing Director at XPD in Accra, Ghana and Togo.</p> <p>Iribe has Bachelors of Science in Business Administration degree from Kwame Nkuruma University of Science & Technology, Kumasi Ghana. He also has Diploma in Applied Biology from Mombasa Polytechnic University College, Mombasa. He is an Associate of Science and Applied Science</p> <p>Committee Membership: Finance & Staff Committee and Audit & Governance Committee</p>
5.	 <p>Dr Nelson T. Maara Non-Executive Director</p>	<p>Dr.Maara, was appointed on 25th January, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) of the Department of Water, Energy, Environment, and Natural resources. Prior to this appointment, he was a Lecturer Egerton University, Faculty of Environmental Studies and Resource Development. Dr Maara had previous served in the County Government of Nakuru as a Chief Officer, Water, Environment, Energy and Natural Resources. He has also served as a member of the National Forestry Society and Mau Forest Conservation Committee.</p> <p>Dr Maara has a PhD in Natural Resource Management from Egerton University, an MSc in Natural Resource Management from Egerton University and a B.Sc in Forestry from Moi University.</p> <p>He is a leader in forest management, policy development, sustainable development and water project management.</p> <p>Committee Membership: Technical & Social Committee and Audit & Governance Committee</p>

6.	 <p>Eng. James N. Gachathi Managing Director</p>	<p>Eng. Gachathi, 53, was re-appointed on 23rd October 2022 as the Managing Director. Before his appointment as the Managing Director in 2014, Eng. Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p>Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on – going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He is the Board Secretary and has a rich experience in Water Sector spanning for over 26 years</p>
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4. KEY MANAGEMENT TEAM

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



The following are the Corporate Management Team: -


NO	NAME	PROFILE
1.	 <p data-bbox="263 929 582 1008">Eng. James N. Gachathi Managing Director</p>	<p data-bbox="646 504 1460 683">Eng. Gachathi, 53, was re-appointed on 23rd October 2022 as the Managing Director. Before his appointment as the Managing Director in 2014, Eng. Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p data-bbox="646 716 1460 806">Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p data-bbox="646 840 1460 974">He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on-going student of MBA (Strategic Management Option) at Egerton University.</p> <p data-bbox="646 1008 1460 1097">He has a rich experience in Water Sector spanning for over 26 years</p>
2.	 <p data-bbox="231 1512 598 1601">CPA Isaac Mokaya Makori Finance Manager</p>	<p data-bbox="638 1108 1460 1444">CPA Makori, 53, was re-appointed on as the Finance manager on 18th May 2023. Before joining the Company in 2009. Mr. Makori had previously worked at Pyrethrum Board of Kenya. He is experienced in Financial and Management Reporting, people management, monitoring and evaluation, Taxation and project Accounting. He served as a member of the Local Committee at Kenya Revenue Authority, Nakuru for 2 years and he also served as a BOM member in various schools.</p> <p data-bbox="638 1478 1460 1825">CPA Makori holds a degree in Bachelor of Commerce (Accounting Option) from Kenyatta University and an MBA (Finance Option) from Kenya Methodist University. He is a CPA (K) and a Member of the ICPAK. He is also a Certified M&E expert and a member of Kenya Institute of Management and has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Baringo Campus. He has 28 years of work experience.</p>

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3.	 <p>CPA James Muthee Gathairu Commercial Manager</p>	<p>CPA Gathairu, 53, was re-appointed as the Commercial Manager on 18th May 2023. Before joining the Company in 2009, CPA Gathairu was an accountant with Kenindia Assurance Co. Ltd for 7years and Chief Accountant with Blue Shield Insurance Co. Ltd for 7years. He has a rich experience in finance and business development spanning for over 27 years.</p> <p>CPA Gathairu holds a degree in Bachelor of Arts (Business Studies & Economics) from Kenyatta University and an MBA (Finance Option) from University of Nairobi. He has CPA (K) and he is a Member of ICPAK. He also has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Lower Kabete Campus.</p>
4.	 <p>CPA Joseph John Githinji Internal Audit Manager</p>	<p>CPA Githinji, 47, was re- appointed as the Internal Audit Manager on 1st November 2019.</p> <p>Before joining the Company 2013, CPA Githinji previously worked with M/s Kariru & Associates (Certified Public Accountants), Kenya Wildlife Service (KWS) (Ag. Manager Internal Audit and Mombasa Water (Internal Audit Manager).</p> <p>He has a rich experience in Accounting and Auditing spanning for over 23 years.</p> <p>CPA Githinji holds a degree in International Business Administration (Finance Option) from United States International University (USIU). He has CPA (K) and CS (K). He is a Member of the ICPAK and ICPS (K).</p>
5.		<p>Mr. Kibet, 35, was appointed on 1st March 2019.</p> <p>Before joining the company, Mr. Kibet worked as a Tutorial Fellow for Maseno University. Prior to Maseno University, he was Assistant Director Procurement, County Government of Bomet and seconded to Bomet Water Company.</p> <p>Kibet holds a degree in Purchasing and Supplies Management and a master degree in Procurement and Logistics from Jomo</p>

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	<p>Willy Kibet Procurement Manager</p>	<p>Kenyatta University of Agriculture and Technology (JKUAT). He is a registered member of the Certified Procurement and Supply Professional of Kenya (CPSP-K) and the Kenya Institute of Supplies Management (KISM).</p> <p>He has a rich experience in procurement spanning over 12 years.</p>
<p>6.</p>	 <p>Anthony Kipkurui Kamar ICT Manager</p>	<p>Mr Kamar, 35 was appointed on 1st March 2019</p> <p>Before joining the company, Mr Kamar worked with the Kenya Film Classification Board for 8 years as the Head of ICT. He has vast experience in project management, ICT security & audit and implementation of management information systems.</p> <p>Mr Kamar holds a bachelor’s degree in Business Management and IT from Kabarak university, an MBA (Operations Management) from the University of Nairobi; He is a member of the computer society of Kenya (FCSK).</p> <p>He has a rich experience in ICT spanning over 12 years.</p>
<p>7.</p>	 <p>Carditor W. Muchoki Human Resource & Admin. Manager</p>	<p>Ms Muchoki, 36, was appointed on 1st July, 2022 having acted in the position since 17th July, 2020. Previously she had worked as the Human Resource Officer.</p> <p>Muchoki holds a degree in Bachelor of Commerce (HRM Option) from Greta University and she is currently pursuing a Master of Science degree in Human Resource Management at Jomo Kenyatta University of Agriculture and Technology. In addition, she has a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management.</p> <p>She is a Certified Human Resource Professional of Kenya, CHRP (K) and she is a full member of IHRM.</p> <p>She has 12years experience in Human Resource Management.</p>

8.	 <p data-bbox="215 683 628 853">Gilbert Kipchumba Mutai Ag. Technical Manager</p>	<p data-bbox="641 224 1474 347">Eng. Mutai, 45, was appointed on 1st January 2023 as the Acting Technical Manager. Prior to his appointment, Mr. Mutai worked as the Water Distribution Manager from 2008.</p> <p data-bbox="641 369 1474 750">Mr. Mutai holds a Bachelor’s degree in Civil Engineering from Egerton University and Currently pursuing MSc in Construction Engineering and Management at Jomo Kenyatta University of Agriculture and Technology, he also has a Diploma in Water Technology and has pursued training in hydraulic Modelling (2022), Sustainable Urban water and sanitation in Sweden & Uganda (2017) and strengthening Capacity building in non-revenue water reduction in Tokyo Japan (2018). He is a member of the Engineers Board of Kenya (EBK) and IEK.</p> <p data-bbox="641 772 1474 853">He has rich experience in Water and Sanitation management spanning over 19 years</p>
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5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2023. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive growth in the Company.

Key Activities

During the year under review, the demand for water and sanitation services in Nakuru continued to increase due to expansion of Nakuru Town given the limited sources of water. The water demand was at over 75000m³ per day against an average target supply of 40,000m³ per day which the National Government and County Government are addressing by increasing the number of the boreholes from 26 to 40 to bring more water to Nakuru City since it is soon becoming a city. During the year a total of 32,785m³ (31,527m³ 2021/22) per/day was achieved due to power failure and breakdown of pumps. This resulted to the company achieving an average of 20 hours of supply per a day.

On Non-Revenue Water (NRW), the Company achieved 29% (30% 2021/22) against the sector benchmark of 25%. This was done by continuing with the installation of master zonal and consumer smart enabled meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the NRW.

Achievements

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

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

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water supply and interruptions. The Company also on its part of corporate social responsibility donated 2000 trees to Narok County which will go a long way in the efforts towards climate resilience. In addition, in June, 2023, the Company, held a Stakeholders Breakfast at Water Buck Hotel. During the meeting, the stakeholders present were able give their feedback on service provision.

During the year, the Company continued to supply water and sanitation to customers. The number of customers increased from 47671 to 48395.

On the part of the staff, the company continued with the implementation of the terms and conditions of service including the welfare activities.

Challenges

The cost of electricity was high due to the fact that over 90% of the water is from boreholes which are very expensive to pump water. The company together with other water companies and development partners is looking for alternative sources power which will reduce the cost of electricity.

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

The construction of the Itare Dam water project funded by the Italian Government was stopped 5 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town. The National Government and County Government of Nakuru are working towards getting another donor to fund the Itare Dam Project.

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

Future Outlook

Nakuru Town is among the fastest growing towns in Kenya. Its upgrade to a city status has become a magnet for business opportunities. Due to that the Company has started positioning itself by improving on its systems and capacity building its staff to manage operations. The Company is also reaching out to development partners who have shown interest in funding the sewer network which currently has a low coverage of 31%. In addition, the company is exploring an alternative source of power so as to reduce on electricity costs.

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

Appreciation

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

To the management and staff, we thank you for your continued commitment to delivering improved and more reliable services to our customers and together we celebrate our achievements for the year 2022/2023.

Thank you and May God Bless You all


ERNEST K. MUIBU
CHAIRMAN, BOARD OF DIRECTORS

6. REPORT OF THE MANAGING DIRECTOR

I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 30th June 2023. This is the 19th annual report and financial statements for the Company and demonstrates how far we have come.

Key Activities

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

On Non-Revenue Water (NRW), the Company achieved 29% (30% in 2021/2022) against the sector benchmark of 25%. This was done by continued to install master, zonal and consumer meters to monitor and track the flow of water and its losses.

On water quality, the company achieved 100% (100% in 2021/2022). This was done by ensuring that the turbidity levels in bulk water supply by the supplier met the required standards.

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

Financial Overview

During the year under review the company realized total revenue of Kshs1.09b (Kshs1.019b in 2021/2022). The revenue did not improve much as the company did not have additional sources of water. In the next financial the revenues shall improve due to 14No. of boreholes which had been drilled by the Ministry of Water, Sanitation and Irrigation. However, NRW improved from 30% to 29% during the year.

Staff costs went up by Kshs14.8m due to increase in staff salaries while general and operating costs went up by Kshs25.1m due to increase in electricity cost arising from change of power tariff.

Cost of maintenance went up by Kshs35m due to the measures put in place to fight non-revenue water such as maintenance of networks. Maintenance was also done at the sewer networks and sewerage treatment plants and company facilities.

Achievements

During the year under review, the Company continued to maintain satisfactory levels in service delivery. In the 15th Impact Report, Water Services Regulatory Board (WASREB) awarded the Company the 2nd Water Service Provider in Kenya

The water produced was distributed to customers equitably through a rationing programme making the company achieve an average water supply of 20 hours/day. The amount of water produced was an average of 32785m³ per day compared to 31527m³ per day in 2021/22.

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

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

On staff retention, motivation and welfare, the company ensured total compliance with all policies put in place including the terms and conditions of service. An enhanced 24-hour employee insurance cover (WIBA and GPA) was procured for all employees for injuries sustained in occupational and an executive medical cover was procured for all employees across the establishment.

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water interruptions. The Company also on its part of Corporate social responsibility donated 2000 trees to Kenya Forest Services and planted some trees in Dundori Forest which will go a long way in the efforts towards climate resilience. In addition, in May, 2023, the Company, held a Stakeholders Breakfast at Waterbuck Hotel. During the meeting, the stakeholders present were able give their feedback on service provision.

Challenges

The cost of electricity was high due to the fact that over 90% of the water that the company supplies is from boreholes and paid an average of Kshs.23.6m per month to Kenya Power. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. Further, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. The company together with other water companies and development partners is exploring on the alternative sources of power which will reduce the cost of electricity.

The Company loses a lot of water currently at 29% through technical means arising from old and dilapidated water infrastructure. Most of the current water networks were built many years ago and requires over Kshs1 billion to replace. The National/County Government through Central Rift Valley Water Works Development Agency (CRVWDA) and development partners are addressing this issue.

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

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

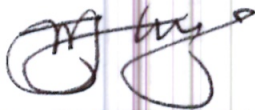
Future Plans

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

Appreciation

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

Thank you and best wishes to you all.



Eng. JAMES N. GACHATHI
MANAGING DIRECTOR

7.STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2022/2023

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

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

Pillar 1: Water and sewerage infrastructure development

Pillar 2: Operational efficiency and customer service

Pillar 3: Financial Sustainability

Pillar 4: Institutional Capacity Strengthening

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

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

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

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Water and sewerage infrastructure development	To supply enough water	Increase water production from 36600m ³ /day to 40,000m ³ /day	Ensure that all borehole pump-sets are operational and are at least 90% of their capacities at all times. Improve intake of surface water from current 3,000m ³ /day to 6,000m ³ /day.	A total of 31,527m ³ per/day was achieved. The shortfall was due to power failure, breakdown of pumps and reduction of bulk water supply by the supplier
Operational efficiency and customer service	Increase and maintain water supply hours from minimum 12 to at least 20 hours per day in all zones	Ensure water supply reliability does not fall below 18 hours per day at required pressures.	Maintain Service hours for distribution at 18 hours per day by producing enough water.	During the period the company achieved an average of 20hrs of supply per a day.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
	Reduce Non-Revenue Water (NRW) to less than a sector benchmark of 25%	Install master, zonal and consumer meters to monitor and track water flow and losses	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which are more efficient. Carry out night flow water measurement at selected areas	The company achieved 29%. This was done through the various measures which were put in place
	To improve water quality to meet Kenya Bureau Standards	Enhance the water quality Compliance rate for Water from current 98% to 100%	Enhanced monitoring to ensure that the quality of water is within 90% of World Health Organisation guidelines. Equip and maintain water laboratory to conduct daily tests.	The company achieved 100% water coverage by ensuring that the water from the bulk supplier which previously had high turbidity levels met the required standards.
	To continually strengthen the company's partnership with stakeholders	Enhance co-operation between the company and main stakeholders	Carry out a detailed stakeholder analysis. Ensure Continuous engagement with all the stakeholders Develop standardized communication materials for internal and external stakeholders	The company held a public/stakeholders meeting attended by Water Services Regulatory Board in May 2023. During the meeting the company was able to present to the stakeholders about the company's services, growth and expansion, successes and challenges. The stakeholders were also able to give their feedback
Financial Sustainability	To enhance financial sustainability of the Company	Improve revenue collection from the current Kshs84M to Kshs88M per month.	Maintain the E-billing system. Market to customers the alternative modes of bills payments available. Carry out water meters calibration and replacement of faulty meters to ensure the appropriate amount of revenue is received for water supplied.	The Company achieved an average of Kshs84.9m per a month as the sources of water remained the same
		Maintain the collection efficiency at 100%	Enhance utilization of electronic payment system and open more pay points. Set targets for the debt collection unit and facilitate the team.	The Company achieved a collection efficiency of 96% due to non-payment by some customer whose incomes were affected by inflation.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
			Carry out customer sensitization and enforcement of disconnections.	
		Maintain the metering ratio at 100%	Identify and meter all the un-metered customers. Keep sufficient meters in the store.	The company achieved 100% due to the efforts which were put in place.
		Reduce Non-Revenue Water (NRW) to sector benchmark of 25%	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Carry out night flow water measurement at selected areas	The company undertook replacement of old meters and faulty meters with smart meters which have high accuracy levels. This reduced NRW from 30% to 29%.
Institutional Capacity Strengthening	Attract, develop, motivate and retain highly motivated and disciplined staff.	To improve staff productivity from 70% to 80%	Sign performance-based contracts with staff aimed at improving performance. Carry out a training need assessment and implement the same.	This was done through the signing of contracts between the Board and Corporate Management Team and the same cascaded to every level of employees in the Company.
	Embrace emerging technologies and innovations to improve efficiency and effectiveness.	Adopt integrated technological systems	Maximize the utilization of the Enterprise Resource Planning (ERP) system. Identify other areas which require new technology. Invest in security systems at all company facilities.	The Company utilized the ERP system to improve efficiency on the service delivery and the provision of timely reports for prompt decision making. The company improved on fleet management to know the efficiency of each motor vehicles and installed CCTV systems to enhance security
		Create a conducive environment for innovation and creativity	Each department to target one innovation during the year.	The company encouraged its employees to develop new ideas of improving service delivery. The company through the innovative ideas from the staff and development partners carrying out a study on the alternative sources of energy so as to reduce on electricity costs.

8. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of NAWASSCO is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the relevant laws, internationally accepted principles and best practices in corporate governance including the Guidelines on Corporate Governance issued by the Regulator, WASREB.

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

The key instruments within the governance framework include: -

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

The Board of Directors

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

Roles and Functions of the Board

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management.

The Board of Directors are responsible for the following: -

- (i) Implementation of Memorandum and Articles of Association

- (ii) Provision of guidelines and control function of the Company
- (iii) Approval of the organization structure and maintenance of staff terms and conditions of service
- (iv) Approval of company strategic plans, business plans and budgets
- (v) Provision of management guidelines
- (vi) Approval of major contracts/projects
- (vii) Approval of tariff adjustments
- (viii) Approval of annual reports and financial statements
- (ix) Prudent investment of funds to ensure continuity of services
- (x) Appointment of Corporate Management Team

Composition of the Board

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

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

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

Board Meetings

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

Meetings are held at the registered office of the Company. A quorum for meetings requires two-thirds of the total number of members. Members may appoint one of their own to preside over the meeting in the absence of the Chairman. Decisions are made unanimously or by majority votes of

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the members present. The Chairman has a casting vote in the event of a tie of votes. The board minutes are prepared and circulated two weeks after the meeting and the signed minutes are kept by the Board Secretary.

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

Board Committees

The Board constituted three (3) sub-committees chaired by one director in each, namely; Finance and Staff, Technical and Social; and Audit and Governance. Each committee is required to meet four (4) times in one financial year. During the under review, the Finance and Staff committee met six (6) times, Technical and Social committee met four (4) times while the Audit and Governance committee met 4 times.

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

The Board Charter

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

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

Appointment and Removal of the Board

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

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

Board Succession Plan

In accordance with clause 69 of the company Memorandum and Articles of Association, all the Directors upon appointment except the Managing Director and representatives of the County Government are required to submit themselves for re-election for another term of Three (3) years

after being be in office for the first Three (3) years. However, if all the directors were appointed on the same date then a die shall be cast to determine the one to retire first.

Induction and Training of the Board

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

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

Board and Member Performance

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

Conflict of Interest

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

Board Remuneration

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

Board Ethics and Conduct

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

1. Observe high standards of ethical and moral behavior;
2. Act in the best interests of the organization;
3. Remunerate and promote staff fairly and responsibly;

4. Recognize the legitimate interests of all stakeholders; and
5. Ensure that the Company acts as a good corporate citizen.

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

Board Governance Audit

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

The governance audit covers the following parameters among others:

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

9. MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational and Financial Performance

Service Delivery

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

Target Description	Target	Actual	Comments
Water Coverage (%)	95	95	The target was maintained as the company had not established new water sources due to financial constraints. However, the Ministry of Water, Sanitation and Irrigation under the Covid-19 intervention measures drilled 14 No. of boreholes which will bring more water to increase the coverage.
Drinking Water Quality Standards (%)	100	100	The company the achieved water quality of 100% by ensuring that the water from the bulk supplier which previously had high turbidity levels met the standards.
Non-Revenue Water (NRW)%	25	29	This was not achieved due to the challenge of water losses in the water sector which was at 60% nationally and 29% at our company level with the acceptable level being at below 25%. The water losses occurred through technical and commercial ways. In the technical ways, water was lost through leaks and bursts while in the commercial ways water was lost through illegal connections and meter tampering which the Company is addressing.
Hours of Supply (Hrs)	20	20	This was achieved due to the rationing Programme during the period.
Metering Ratio (%)	100	100	This was achieved due to the efforts which the company put in place to achieve 100% metering ratio so as to stop billing on estimates.
Revenue Collection Efficiency (%)	100	96	This was not achieved due to non-payment by the National Government and domestic consumers whose incomes were affected by inflation.

Financial Performance

During the year under review the company realized total revenue of Kshs1.09b (Kshs1.019b in 2021/2022). The revenue did not improve much as the company did not have additional sources of water. In the next financial the revenues shall improve due to 14No. of boreholes which had been drilled by the Ministry of Water, Sanitation and Irrigation. However, NRW improved from 30% to 29% during the year.

Staff costs went up by Kshs14.8m due to increase in staff salaries while general and operating costs went up by Kshs25.1m due to increase in electricity cost arising from change of power tariff.

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Cost of maintenance went up by Kshs35m due to the measures put in place to fight non-revenue water such as maintenance of networks. Maintenance was also done at the sewer networks and sewerage treatment plants and company facilities.

2. Key Projects / Investments Decisions Implemented or Ongoing.

i. Improvement in Information Technology Systems

During the year under review the company improved on information technology systems by enhancing the fleet and fuel management system and installing the CCTV systems to monitor security. The company continued to use the ERP system which has done away with distributed stand-alone systems and silo processes within departments and unified them into one system with specific sub modules for each core department and live integration with our banking service providers and M-Pesa.

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

ii. Smart Water Enabled Meters

The company continued with the installation of new customer smart ready meters which are more efficient with an aim of raising revenues and reduction of water losses. The company installed smart meters amounting to Kshs25 million.

iii. Motor Vehicles

The company purchased an excavator motor vehicle at Kshs 11.8 million used for repairs and maintenance of water and sewer networks and implementing new networks which has greatly improved water sanitation services in Nakuru City.

iv. New Computers and Accessories

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

v. Replacement of Pumps and Motors

The Company replaced some of the old and inefficient pumps with the aim of increasing water production and reduction of maintenance costs. During the year the company replaced broken pumps and motors amounting to Kshs13.6 million

vi. Re-location of Water and Sewerage Infrastructure

Due to the upgrading of the Rironi- Mau Summit Highway to a dual carriage way, Kenya National Highways Authority financed the re-location of water and sewerage infrastructure along the highway under the jurisdiction of the company. This has improved the old dilapidated networks which is part of the contributors of NRW

3. Compliance with Statutory Requirements

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

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

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

CORPORATION TAX – The tax return was promptly filed with KRA

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

WASREB - Levies were remitted promptly.

WRA - Water abstraction fee was paid promptly.

NITA - Industrial training levy was remitted on a monthly basis

However, an amount of Kshs5, 562,345 owed to National Social Security Fund has not been paid as it relates to the liabilities which were inherited from the defunct Municipal of Council of Nakuru in year 2004. The Company disputed the amount because it was informed that the debt had been settled during the time of Local Authorities Transfer Fund (LATF) and County Government of Nakuru is currently assisting the employees who are retiring to access their benefits.

4. Major Risks Facing the Organization

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

i. Water Bills Amount Owed by the County Government of Nakuru- Kshs17M

The County Government of Nakuru currently owed the company several months' water bills amounting to Kshs17m which they have not settled despite several meetings and reminders.

ii. Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN) - Kshs215M

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

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

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

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

iv. High Kenya Power Monthly bills averaging Kshs23.5m per month

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

v. Scarce Sources of Water

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

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

vi. Water Loss through Old and Dilapidated Water Infrastructure.

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

vii. Non-Revenue Water (NRW)- 29%

The water sector is faced with the challenge of water losses which is at 60% nationally and 29% at our company level with the acceptable level being at below 25%. This contributes to loss of

revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and bursts while in the commercial ways water is lost through illegal connections and meter tampering which the Company is addressing.

viii. Low Sewerage Coverage - 31%

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

5. Material Arrears in Statutory and other Financial Obligations

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

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

ii. Central Rift Valley Water Works Development Agency (CRVWWDA) Lease fees – Kshs144.5M

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

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

iii. Former Ministry of Water & Natural Resources- Kshs168m

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate

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this service provision, certain operational assets and liabilities were assigned to the company by the Director of Water – Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443, 091,806 while the operational liabilities included amounts due to National Water Corporation Kshs.168, 490,370, KPLC Kshs. 45,108,015, Staff pension contributions to LAP Trust Kshs6, 145,100.00 and NSSF Kshs5, 562,345 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. The amounts owing to KPLC Kshs 45, 108,015 and LAP Trust Kshs 6, 145,100 have since been paid.

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

iv. National Social Security Fund- Kshs5.5m

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

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

a) Water Bills Amount Owed by the County Government of Nakuru- Kshs17M

The County Government currently owes the company Kshs17m which they had not settled despite several meetings and reminders. We are hoping that the County Government will soon settle their water bills arrears for the smooth running of operations.

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

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

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

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

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

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

The company got a favorable interpretation of the VAT Act but water and sewerage services moved from VAT zero rated to VAT exempt. In 2018 the refunds started being settled with a balance of Kshs15m remaining as at 30th June, 2023 despite several follow ups.

6. Review of the Kenyan Economy

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

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

7. Review of the Sector

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

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

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

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

1. Sustainability Strategy and Profile

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

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

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

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

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

2. Environmental Performance

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

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

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

The Company supported initiatives that minimize its impact on the environment and helped create a sustainable community by working closely with National Environment Management Authority (NEMA) and various County departments such as the Environment and Public Health to enhance and protect the environment around us. The Company through its subsidiary company NAWASSCOAL, developed briquettes (charcoal) called Makaa.com from human waste (faecal matter). Faecal matter (human waste) is an invaluable resource that can be harnessed for economic, health and environmental development which also shows that sanitation related challenges can be solved by using market-based approaches that ensures sustainability.

3. Employee Welfare

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

The Company carries out employee satisfaction survey after every two years with a view of improving the conditions and working environment of its employees and keep in touch with emerging employee issues. During the year, the Company put in place many ways to contribute positive changes to its employees including on-job trainings, participation at the water companies' games and sports and bench marking sessions that develop the employees and ensure that the company's vision is achieved.

During the reporting period, the company with support from WSUP conducted training sessions for Marketing Assistants on effective communication, marketing strategies, customer service, and sanitation marketing. The training empowers Marketing Assistants with the necessary skills to promote Nawassco's services, engage with customers, and drive positive change in sanitation practices. The training was attended by the 40 marketing assistants who requested that the trainings take place often to ensure that they are working within the sector trends.

4. Market Place Practices

The company puts in place a lot of measures to ensure customer satisfaction. Annually, the company conducts a customer satisfaction survey to ascertain whether the efforts put in place by the Company are felt by the customers and any issues raised are addressed promptly.

On Persons Living with Disability all company stations are fixed with detachable rumps for ease of entry for persons confined to wheel chairs. A desk offering special services to persons living

with disability is in place at the head office. In addition, one special toilet for persons living with disability is in place at the head office.

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

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

The Company held Focus Discussion Group (FGD's) from 11th to 17th April 2023 for each zone with the aim of getting feedback from customers on our services. The FGD's were attended by the Managing Director and other members of the CMT who addressed the issues raised by the customers in the different forums

5. Corporate Social Responsibility /Community Engagement

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

The stakeholders breakfast forum was held at Waterbuck Hotel on 9th June 2023. The breakfast was themed: *'Enhancing effective stakeholder's engagement for sustainable water and sanitation solutions*. The meeting was attended by Customers, Stakeholders, Partners, Board of Directors, management and Staff. The event provided an opportunity to engage with key stakeholders, including government officials, community leaders, NGOs, and business representatives. The discussions focused on fostering collaboration, understanding stakeholder expectations, and addressing challenges in water and sanitation service provision. The event received positive feedback and helped strengthen relationships with stakeholders.

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

The company visited The Margaret Kenyatta Maternity Hospital on 19th April 2023 which offers the services for free to the less fortunate in society and donated items to the new born unit that would benefit the needy mothers. Some members of the CMT and staff represented the company during the visit.

11. REPORT OF THE DIRECTORS

The Board of Directors submit Report together with the Financial Statements for the year ended 30th June, 2023 which shows the state of the Company's trading affairs and financial position.

Principal Activities

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

Results

The results of the Company for the Year ended 30th June, 2023 are set out on page 1 to 40. The net profit for the period of **Kshs 3,127,331** which has been added to retained earnings.

Dividend

The Board of Directors did not declare any dividends for the year ended 30th June, 2023.

Directors

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

Auditors

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

By order of the Board



Eng. JAMES N. GACHATHI

SECRETARY TO THE BOARD

Dated _____ **2023**

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:


ERNEST K. MUIBU
CHAIRMAN, BOARD OF DIRECTORS


JAMES N. GACHATHI
MANAGING DIRECTOR

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NAKURU WATER AND SANITATION SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Water and Sanitation Services Company Limited set out on pages 1 to 55, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

Report of the Auditor-General on Nakuru Water and Sanitation Services Company Limited for the year ended 30 June, 2023

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nakuru Water and Sanitation Services Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water Act, 2016 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects increase in customer deposits of Kshs.11,213,306 which differs with the computed amount of Kshs.10,747,548 resulting to an unexplained and unreconciled variance of Kshs.465,758. Further, the statement reflects net cash flows from investing activities amounting to Kshs.66,429,984 which differs with the recomputed amount of Kshs.66,895,742 resulting to unexplained variance of Kshs.465,758 which has also not been explained or reconciled.

In the circumstances, the accuracy of the cash flow statement could not be confirmed.

2. Non-Disclosure of Production Cost

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect general operations expenses amounting to Kshs.585,259,214. The amount includes chemicals, electricity and bulk water costs amounting to Kshs.8,084,947, Kshs.282,710,684 and Kshs.50,568,412 respectively all totalling Kshs.341,364,043 which are direct expenses on water production. However, the cost of water production has not been disclosed separately in accordance with Paragraph 103 of the International Accounting Standards which requires separate disclosure of cost of sales from other expenses. Further, the cost of chemicals and bulk water has not been adjusted for opening and closing stocks movements.

In the circumstances, the statement of profit or loss and other comprehensive income is not in accordance with the International Financial Reporting Standards.

3. Inaccuracies in the Staff Cost Expense

The statement of profit or loss or other comprehensive income and as disclosed in Note 10 to the financial statements reflects staff cost of Kshs.290,768,518. The amount includes gross salary and allowances amounting to Kshs.248,311,818 which differs with the payroll amount of Kshs.246,445,926 resulting to unreconciled variance of Kshs.1,865,892. Further, the staff costs amount includes increase in provisions for leave

pay and gratuity of Kshs.2,250,173 and Kshs.1,077,021 respectively which were not supported or explained.

In the circumstances, the accuracy and validity of staff cost of Kshs.290,768,518 could not be confirmed.

4. Unsupported Fuel, Oil, Lubricants and Gases Expenditure

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects general and other operations expenses amounting to Kshs.585,259,214. The amount includes fuel, oil, lubricants and gases expenditure amounting to Kshs.11,853,187. However, the expenditure was not supported by way of fuel supplier statements and job cards for repairs. Further, procurement records for fuel were not provided for audit review.

In the circumstances, the accuracy and propriety of fuel, oil, lubricants and gases expenditure amounting to Kshs.11,853,187 could not be confirmed.

5. Unsupported Central Rift Valley Water Works Development Agency Lease Fees

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects general and other operations expenses amounting to Kshs.585,259,214. The amount includes Central Rift Valley Water Works Development Agency (CRVWDA) lease fees amounting to Kshs.39,468,545 in respect of loan repayment to CRVWDA. However, the loan was not supported with loan agreement, loan account and loan statement. Further, no explanation was provided for expensing a loan repayment.

In addition, the Company has not taken possession and ownership of the assets financed by the loan. As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Works Development Agency (RWWDA) in 2014. Although the Company continues to service the loan, the outstanding loan balance is not reported in the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act No.17 of 2015 which requires accounting records of the Company to contain day-to-day entries of all amounts of money received and spent.

In the circumstances, the accuracy and validity of CRVWDA lease fees amounting to Kshs.39,468,545 for the year ended 30 June, 2023 could not be confirmed.

6. Unsupported Income Tax Expense

The statement of profit or loss and other comprehensive income reflects income tax expense totalling Kshs.13,015,523. The amount includes current year tax assessments amounting to Kshs.7,231,929. Review of records revealed that the Company contracted a tax consultant to carry out tax assessment. However, the tax assessment report was not provided for audit review.

In the circumstances, the accuracy and regularity of income tax expense of Kshs.7,231,929 could not be confirmed.

7. Unsupported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.780,733,160. The balance includes additions during the year of Kshs.81,869,458. Review of records provided for audit revealed that water meters valued at Kshs.25,087,918 were installed. However, the list of customers connected with the meters was not provided audit.

In the circumstances, the accuracy, existence and fair statement of additions to property, plant and equipment balance of Kshs.81,869,458 could not confirmed.

8. Unsupported Inventories

The statement of financial position and disclosed in Note 19 to the financial statements reflects inventories amounting to Kshs.41,765,724. However, the amount was not supported with stock taking sheets. Further, the amount does not include the volume of water which had been produced, stored or held within the distribution infrastructure as at the end of the financial year.

In addition, physical stock counts were not undertaken at least quarterly. This is contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the head of procurement function to arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking.

In the circumstances, the accuracy and fair statement of inventories balances of Kshs.41,765,724 could not be confirmed.

9. Unsupported General Reserve Balances

The statement of financial position and as disclosed in Note 24 to the financial statements reflects general reserves balance of Kshs.262,893,992. The balance relates to operational assets and liabilities amounting to Kshs.443,091,806 and Kshs.180,197,815 which were inherited from the defunct Nakuru Municipal Council. However, ledgers and deed of transfer in support of the inherited assets and liabilities were not provided for audit review.

In the circumstances, the accuracy and completeness of general reserves balance of Kshs.262,893,992 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflect final revenue budget and actual on comparable basis of Kshs.1,184,724,287 and Kshs.1,090,131,618 respectively resulting to revenue shortfall of Kshs.94,591,670 or 8% of the budget.

The shortfall in revenue collection may have negatively impacted on the planned activities which affected service delivery to the residents of Nakuru.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

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. Significant Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.1,067,955,215. The amount includes water sales amounting to Kshs.697,320,479 as further disclosed in Note 6 to the financial statements. Review of records revealed that the Company produced a total of 11,966,661 cubic meters (M³) of water out of which, 8,464,434 Cubic Meters (M³) of water was billed to customers for Kshs.697,320,479 while the balance of 3,481,041 cubic meters (m³) or approximately

29% of the total volume of water produced represents non-revenue water. The non-revenue water of 29% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 4%.

Further, the non-revenue water amounting to 3,481,041 cubic meters (M³) resulted in loss sales amounting to Kshs.205,381,419 at the rate of Kshs.59 per M³ minimum water sale tariff. In addition, a Non-Revenue Water function has not been established contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022.

The significant level of non-revenue water is an indication of ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services.

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

2. Failure to Collect Debts

The Statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other receivables totalling Kshs.703,163,439. The amount includes receivables amounting to Kshs.393,936,068 due from thirteen thousand one hundred and eighteen (13,118) customers' accounts which had been terminated or remained dormant for over one year. Management has not made any effort to collection the debts. Further, the amount includes a loan to NAWASSCOAL Company Limited amounting to Kshs.17,477,375 which was not supported with loan agreement and has never been repaid. The loaning is also not part of the objectives of the Company.

In addition, the receivables include staff debtors amounting to Kshs.3,219,256 in respect of fuel lost through fraud during the period of September to November, 2020. Although disciplinary action had been taken against the involved officers, Management of the Company had not commenced recovery of the amount.

This is contrary to Section 5.4 of the Nakuru Water and Sanitation Company Limited Finance Manual requires the Commercial Department to follow up and collect debts within the agreed/allowed credit period. The credit period will be determined by Management from time to time and may be revised by the Managing Director and Board of Directors, as and when deemed necessary.

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

3. Irregular Investment in Short Term Deposits

The statement of financial position and disclosed in Note 21 to the financial statements reflects short term deposit amounting to Kshs.50,000,000. Review of records revealed that the investment was made in one of the local banks at interest rates of 9.3%. This is contrary to The National Treasury Circular Ref. DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya. Further, the local bank was not competitively sourced contrary to Section 158 Public Procurement and Asset

Disposal Act, 2015 which under Section which states that procurement of goods, works and services shall be competitive.

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

4. Failure to Prepare Bank Reconciliation Statements

The statement of financial position reflects bank and cash balances totalling Kshs.235,208,597. The amount includes Performance Guarantee bank account balance amounting to Kshs.7,396,378 as disclosed in Note 22 to the financial statements. However, bank reconciliation statements for the Performance Guarantee bank account were not prepared. This is contrary to Section 90(1) of Public Finance Management (County Governments) Regulations, 2015 requires an Accounting Officer to ensure that monthly bank account reconciliations are prepared.

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

5. Long Outstanding Debt to Central Rift Valley Water Works Development Agency

The statement of financial position reflects trade and other payables totalling Kshs.508,869,225. The amount includes Kshs.275,796,820 due to Central Rift Water Works Development Agency (CRWWDA) which has accrued since the year 2013. Failure to pay the long outstanding payable is contrary to Section 94(1) of the Public Finance Management Act, 2012 which states that a public entity is in serious material breach or persistent material breach of the measures established under Public Finance Management Act, 2012 if it fails to make any payments as and when due or default on financial obligations for financial reasons.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE 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 the International Standards for Supreme Audit Institutions ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by 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 those records and returns.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as the 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 cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable 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 to sustain its services. 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 to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2024

Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

14. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022-23	2021-22
		Kshs	Kshs
Revenue			
Operating Revenue	6	1,067,955,215	941,785,109
Grants Income	7	-	57,588,883
Other Income	8	1,162,510	1,891,639
Finance Income	9	21,013,893	18,070,560
Total Revenue		1,090,131,618	1,019,336,191
Expenses			
Staff Costs	10	290,768,518	275,941,019
General and Operations Expenses	11	585,259,214	560,114,800
Board Expenses	12	6,164,792	11,102,300
Maintenance Expenses	13	104,858,148	69,724,359
Depreciation and Amortization Expenses	14	86,938,092	79,763,882
Total Expenses		1,073,988,764	996,646,360
Profit/(Loss) Before Taxation		16,142,854	22,689,831
Income tax expense	15	13,015,523	(13,250,422)
Deferred tax asset recognized in the year 2022	15	-	33,537,630
Profit/(Loss) After Taxation		3,127,331	42,977,039
Luggage			
Other Comprehensive Income			
Profit/ (Loss) After Taxation		3,127,331	42,977,039
Surplus or Deficit on Revaluation Of PPE		-	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		3,127,331	42,977,039

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 23


	Note	2022-2023	2021-22
		Kshs	Kshs
Assets			
Non-current Assets			
Property, Plant and Equipment	16	780,733,160	672,970,799
Intangible Assets	17	18,192,264	29,201,795
Leasehold Land and Buildings	16	-	108,824,208
Investment in NAWASCOAL	18	100,000	100,000
Deferred tax Asset	27	40,643,381	33,537,630
Total Non-current Assets		839,668,805	844,634,432
Current Assets			
Inventories	19	41,765,724	47,177,617
Trade and Other Receivables	20	703,163,439	650,036,773
Short Term Deposits	21	50,000,000	210,000,000
Bank and Cash Balances	22	235,208,597	148,976,537
Total Non-Current Assets		1,030,137,760	1,056,190,927
Total Assets		1,869,806,565	1,900,825,358
Equity and Liabilities			
Capital and Reserves			
Ordinary Share Capital	23	100,000	100,000
General Reserve	24(a)	262,893,992	262,893,992
Revaluation Reserve	25	31,720,163	32,980,405
Retained Earnings	26	206,235,529	203,108,198
Total Share Capital and Reserves		500,949,684	499,082,595
Non-current Liabilities			
Non-Current Accounts Payable	24(b)	174,152,715	174,152,715
Total Non-current Liabilities		174,152,715	174,152,715
Current liabilities			
Provisions	28	10,803,246	7,475,052
Trade and Other Payables	29	508,869,225	540,325,200
Income Tax Payable	15 (b)	5,292,469	7,787,316
Refundable Deposits and Prepayments	30	172,871,366	162,123,818


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	Note	2022-2023	2021-22
		Kshs	Kshs
Deferred Income	31	496,867,860	509,877,661
Total Current Liabilities		1,194,704,166	1,227,590,074
Total Equity and Liabilities		1,869,806,565	1,900,825,358

The financial statements were approved by the Board on 27th September, 2023 and signed on its behalf by:


 Name: James N Gachathi
 Managing Director


 Name: Isaac M. Makori
 Head of Finance
 ICPAK M/No:6774


 Name: Ernest K. Muibu
 Chairman of the Board

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Ordinary Share Capital	Revaluation Reserve	General Reserve	Retained Earnings	Proposed Dividends	Capital/Development Fund	Total
As at July 1, 2022		100,000	34,240,647	262,893,992	160,131,159	-	-	457,365,800
New Capital Issued	.	-	-	-	-	-	-	-
Revaluation Amortisation		-	(1,260,242)	-	-	-	-	(1,260,242)
DT not recognized in prior years/periods	26				71,222,970			71,222,970
Deferred tax recognized in the year 2022	26				(37,685,340)			(37,685,340)
Profit for the Year		-	-	-	9,439,409	-	-	9,439,409
Capital/Development Grants Received During the Year		-	-	-	-	-	-	-
Dividends Paid – Prior Year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed Final Dividends		-	-	-	-	-	-	-
As at June 30, 2023		100,000	32,980,405	262,893,992	203,108,198	-	-	499,082,597
As at July 1, 2022		100,000	32,980,405	262,893,992	203,108,198	-	-	499,082,597
Issue of New Share Capital		-	-	-	-	-	-	-
Revaluation Amortisation		-	(1,260,242)	-	-	-	-	(1,260,242)
Profit for the Year		-	-	-	3,127,331	-	-	3,127,331
Dividends Paid – Prior Year		-	-	-	-	-	-	-

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	Notes	Ordinary Share Capital	Revaluation Reserve	General Reserve	Retained Earnings	Proposed Dividends	Capital/Development Fund	Total
Interim Dividends Paid – Current Year		-	-	-	-	-	-	-
Proposed Final Dividends		-	-	-	-	-	-	-
At June 30, 2023		100,000	31,720,163	262,893,992	206,235,529	-	-	500,949,686

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1 **17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Insert Current FY Kshs	2021-22 Kshs
Profit or loss before tax		3,127,331	9,439,409
Depreciation		70,120,561	61,124,952
Amortization of land and buildings		-	3,736,017
Amortization		16,817,531	14,902,913
Working capital changes:			
(Increase)/decrease in inventories		5,411,893	(25,253,201)
(Increase)/decrease in trade and other receivables		(53,126,666)	64,606,946
Increase/(decrease) in trade and other payables		(31,455,976)	(48,443,799)
Increase/(decrease) in provision for staff leave and gratuity pay		3,327,194	765,870
Increase in Customer Deposit		11,213,306	6,573,661
Income Tax payable		(2,494,847)	(800,541)
Deferred tax asset		(7,105,751)	-
Net Cash From/ (Used In) Operating Activities		15,368,816	86,652,227
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment (PPE)	16	(81,869,458)	(580,513,248)
Proceeds from Maturity of Fixed Bank Deposit	21	160,000,000	160,000,000
Purchase of Intangible Assets	17	(5,808,000)	(14,258,180)
Purchase Grant Property, Plant and Equipment	16	(5,426,800)	(22,811,066)
Investments in Fixed Bank Deposit	21	(50,000,000)	(210,000,000)
Proceed from Maturity in call deposit	21	50,000,000	50,000,000
Net Cash From/ (Used In) Investing Activities		66,429,984	(617,582,494)
Cash Flows from Financing Activities			
Grants From WSTF	31	3,967,500	-
Grants From UNICEF	31	-	17,270,090
Grants From KEHNA	31	-	449,090,141
Net Cash From/(Used In) Financing Activities		3,967,500	466,360,231
Increase/(Decrease) In Cash and Cash Equivalents		86,232,059	(64,570,036)
Cash and Cash Equivalents at Beginning of Year	22	148,976,538	213,546,574
Cash and Cash Equivalents at End of the Year	22	235,208,597	148,976,537



18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Explanation of Variances
	a	b	C=a+b	d	e=c-d	f=d/c %	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Operating Revenue	1,398,864,267	(236,583,787)	1,162,280,480	1,067,955,215	94,324,266	91.88	The variance was due to power outages that affected water production.
Non-Operating Revenue	6,959,752	(5,520,945)	1,438,807	1,162,510	276,297	80.80	
Finance Income	21,005,000	-	21,005,000	21,013,893	(8,893)	100.04	
Total Revenue	1,426,829,019	(242,104,732)	1,184,724,287	1,090,131,618	94,591,670	92.02	
Expenses							
Staff Costs	336,349,933	-	336,349,933	290,768,517	45,581,416	86.45	The underutilization was due to partial implementation of 2nd phase of the new CBA as the original budget was revised due to delay in commissioning of the new boreholes because of electricity connections and supply
Board Expenses	12,000,000	-	12,000,000	6,142,329	5,857,671	51.19	The underutilization was due to fewer board meeting held and three board members are yet to be recruited. In addition,

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								the board retreat was not held during the year
General and operations Expenses	752,463,163	(65,599,274)	661,863,889	585,259,214	76,604,674	88.43		The underutilization was due forgone activities that were budgeted for as result of failure to meet budgeted revenue due failure to commission the new boreholes.
Maintenance	136,437,920	(8,467,899)	117,970,021	104,858,148	13,111,873	88.89		The underutilization was due forgone activities that were budgeted for as result of failure to meet budgeted revenue due failure to commission the new boreholes.
Depreciation and amortization	-	-	-	86,938,092	(86,938,092)	(100)		
Total Recurrent Expenditure	1,237,251,016	(74,067,173)	1,128,183,843	1,073,988,764	54,195,079	95.20		
Profit or Loss	189,578,004	(168,037,559)	56,540,444	16,142,854	40,397,590	74.95	28.55	
Capital Expenditure	180,707,100	(127,390,901)	53,316,199	87,677,458	(34,361,259)	164.45		The over utilization was due spillover of capital works budget in the prior year.
Total Expenditure	1,417,958,116	(201,458,074)	1,181,500,042	1,161,666,222	19,833,820	98.32		

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Nakuru Water and Sanitation Services Company Ltd is established by and derives its authority and accountability from the companies Act 2015. The Company is wholly owned by the County Government of Nakuru and is domiciled in Kenya. The Company’s principal activity is provision of piped water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company’s Act 2015, 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 and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires	Effective for annual periods beginning on or after 1 st January 2023.

Title	Description	Effective Date
	similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	
IAS (International Accounting Standards) 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.
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.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

The Directors 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

Nakuru Water and Sanitation Services company did not early – adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** 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 investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized 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, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Leasehold Land	Remaining period of lease	-
Buildings and civil works	50	
Infrastructure works	5	20%
Plant and machinery	5	20%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	8	12.5%
Software	3 years	33.33
Electric fence	8 years	12.5

Prepaid Water Meter	5 years	20
Water Meters	7 years	14.28

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased

asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises 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.

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost 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 and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

n) Taxation

i) 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 assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) 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 liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. 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.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

r) 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.

s) Trade and other payables

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

t) Retirement benefit obligations

The Company does not operate a defined contribution scheme for all full-time employees. The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month and also contributes to staff defined pension scheme LAP trust is currently 15% of the basic salary and house allowance per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 25th May, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The reduced appropriations are deducted to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded reduced appropriations of Kshs 201,458,07 on the 2022-2023 budget following the governing body's approval. The Company's budget is prepared on the basis of actual income and expenditure and is 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 profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

x) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 28. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Operating Revenue

	2022-23	2021-2022
	Kshs	Kshs
Water sales	697,320,479	610,398,389
Sewerage Services	370,721,136	355,639,672
Total	1,067,955,215	941,785,109

Other sales that relate to customer's water and sewer connections have been included in the water and sewer charges after adopting the Enterprise Resource Planning (ERP). The Company accounted for 29 % (30 % 2021/22) of the water produced. The 29% loss is due to technical and commercial losses.

7. Grants Income

	2022-23	2021-2022
	Kshs	Kshs
Chemicals from JICA	-	12,363,076
Support for stakeholders meeting from cooperative bank and Madison insurance	-	100,000
Operations & Maintenance (O & M) support grant from WSTF	-	45,125,807
Total	-	57,588,883

8. Other Income

	2022-23	2021-2022
	Kshs	Kshs
House rent	257,850	225,300
Laboratory services	754,660	799,470
Education visits, Bill board	142,000	180,000
Empty chemical container sale	7,000	8,000
Interest on NAWASSCOAL Loan		673,869
Payroll Recoveries	-	5,000
Total	1,162,510	1,891,639

Interest on NAWASSCOAL Loan has been reclassified as finance cost.

9. Finance Income

	2022-23	2021-2022
Description	Kshs	Kshs
Interest on NAWASSCOAL Loan	1,023,869	-
Interest on fixed deposit	19,990,024	18,070,560
Total	21,013,893	18,070,560

The interest on NAWASSCOAL Loan related to interest earned at interest rate of 5% pa on loans advanced to the Company subsidiary NAWASSCOAL while interest of fixed deposit relates to interest earned on fixed deposit of Kshs 160 million and Kshs 50million at an interest rate of 9.75% p.a and 10.25% p.a respectively

10. Staff Costs

Description	2022-23	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	248,311,818	240,746,467
Casual workers' Wages	4,073,188	1,584,469
Employer's contributions to social security schemes	1,143,640	432,400
Employer's contributions to pension scheme	23,890,735	23,548,604
Gratuity paid	9,907,142	8,387,918

Description	2022-23	2021-2022
	Kshs	Kshs
Increase in provisions for Leave pay	2,250,173	400,414
Increase in Gratuity provision	1,077,021	365,455
Terminal dues paid	-	421,692
Employer's contributions to NHIF	114,800	53,600
Total	290,768,518	275,941,019
The average number of employees during the year	170	175

11. General and Operations Expenses

Description	2022-23	2021-2022
	Kshs	Kshs
Chemicals	8,084,947	6,452,525
Electricity	282,710,684	261,259,459
Fuel, oil, lubricants, and gases	11,853,187	7,857,111
Bulk water Costs	50,568,412	58,175,626
Office supplies	5,673,097	6,021,960
Uniform and protective clothing	3,192,362	2,272,005
Telecommunication	4,070,465	4,014,406
Postage and courier	3,249,844	2,304,060
CRVWDA lease fees	39,468,545	39,468,545
Insurance	4,364,583	3,557,536
Rent and Rates	600,000	627,180
Onsite sanitation	9,241,050	7,037,390
Domestic Traveling and subsistence	28,567,491	28,101,443
Staff training and development and subscriptions	4,770,179	7,137,321
Bank Charges	3,603,595	4,284,593
Security services	22,513,978	17,679,145
Medical Cover and Occupational Health	16,062,503	12,001,049

Publicity and advertising	6,148,155	5,743,458
Audit fees	412,000	382,500
Legal fees	2,379,200	8,496,276
Consultancy fees	11,496,080	9,066,973
Licensing and levies	49,710,478	47,728,674
Sports and recreation	1,582,500	5,119,450
Conference expenses	3,850,925	6,567,168
Donations/CSR	559,430	-
Hospitality expenses	2,127,810	1,944,395
Printing and Stationery	8,113,672	5,089,636
Literature & periodicals	284,040	760,406
Bad debts written off	-	964,510
Sewerage disposal fees	=	=
Total	585,259,214	560,114,800

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

ADB Loan Movement

Description	2022-23	2021-2022
Principal Loan Amount, Interest Accrued and Amount Expensed	KShs	KShs
Principal Loan Amount	991,267,572	991,267,572
Interest Accrued as at 30th June	431,070,873	431,070,873
Total	1,422,338,445	1,422,338,445
Amount paid as at 30th June, 2023	(315,748,361)	(269,701,723)
Outstanding amount	1,106,590,084	1,152,636,722

Description	2022-23	2021-2022
Principal Loan Amount, Interest Accrued and Amount Expensed	KShs	KShs

Principal Loan Amount	991,267,572	991,267,572
Interest Accrued as at 30th June	431,070,873	431,070,873
Total	1,422,338,445	1,422,338,445
Amount Expensed as at 30th June, 2023	(460,282,316)	(420,813,765)
Outstanding amount	962,056,129	1,001,524,680

Description	2022-23	2021-2022
Amount Expensed and amount paid	KShs	KShs
Amount Expensed as at 30th June	460,282,316	420,813,765
Amount paid as at 30th June	(315,748,361)	(269,701,723)
Outstanding amount	144,533,955	151,112,043

12. Board Expenses

Description	2022-23	2021-2022
	KShs	KShs
Chairman Honoraria	864,292	942,864
Sitting allowances	3,535,000	8,085,000
Travel and accommodation	214,120	1,161,316
B.O.D Hospitality	1,551,380	913,120
Total Board Expenses	6,164,792	11,102,300

13. Maintenance Expenses

Description	2022-23	2021-2022
	Kshs	Kshs
Plant and Equipment	15,987,251	16,061,474
Buildings	19,102,877	4,750,892
Infrastructural networks	52,246,801	35,108,128
Motor vehicles	5,029,041	5,565,319

Software	10,576,998	7,374,311
ICT	695,980	211,151
Furniture	1,219,200	653,084
Total Maintenance Expenses	104,858,148	69,724,359

14. Depreciation and Amortization Expenses

Description	2022-23	2021-2022
	KShs	KShs
Property, plant, and equipment	70,120,561	64,860,969
Intangible assets	16,817,531	14,902,913
Total Depreciation and Amortization	86,938,092	79,763,882

15. Income Tax Expense/(Credit)

Current taxation

	2022-23	2021-2022 (Restated)
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	12,889,345	-
Current year tax assessments	7,231,929	-
Current year deferred tax charge	(7,105,751)	(37,685,340)
Prior year under-provision for deferred tax	-	71,222,970
Total	13,015,523	33,537,630

The company has initially introduced deferred tax and hence the opening balance have been re stated in accordance with the deferred tax computation.

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

	2022-23	2021-2022(Restated)
	Kshs	Kshs
Profit before taxation	16,142,854	22,689,831

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Add: Expense not deductible for tax purposes	90,265,286	80,529,752
Less: Expenses deductible for tax purposes	(63,443,657)	(59,051,510)
Adjusted profit for tax purposes	42,964,483	44,168,073
Tax losses B/F	-	-
Total profit C/F	42,964,483	44,168,073

15.(b) INCOME TAX PAYABLE

Current Taxation	2021/2022	2020/2021
Income tax payable bf	7,787,316	8,587,857
De-recognition of income tax expense due to deferred tax computation		(13,250,422)
Additional assessment	7,231,929	-
Income tax charge for the year	12,889,345	13,250,422
Tax Paid	(22,616,121)	(14,050,963)
Tax payable	5,292,469	7,787,316

16. Property, Plant and Equipment

2022-23	Lease hold land and Buildings	Water Meters	Water & Sewer Infrastructure	Pumps & Motors	Motor vehicles, including, motor cycles	Computers and related Equipment	Office Equipment, Electric fence, Furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2022	144,891,520	125,528,261	184,725,972	157,261,873	87,455,671	31,605,131	21,177,197	444,521,342	1,197,166,967
Additions	-	25,087,918	19,617,089	13,618,280	11,832,000	3,795,578	3,529,792	4,388,800	81,869,458
Additions grants	-	-	-	-	-	-	-	5,426,800	5,426,800
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2023	144,891,520	150,616,179	204,343,061	170,880,153	99,287,671	35,400,709	24,706,989	454,336,942	1,284,463,225
Depreciation									
At July 1, 2022	36,067,312	86,315,434	117,774,216	90,693,436	41,564,126	27,426,336	15,531,101	-	415,371,961
Charge For the Year	3,606,731	13,148,512	7,811,075	20,308,114	18,684,200	4,837,692	1,576,307	-	70,120,560
Charge for the year Revaluation	1,260,424	-	-	-	-	-	-	-	1,260,424
Charge For the Year Grants	-	-	16,358,433	-	-	-	618,869	-	16,977,302
At June 30, 2023	41,082,214	99,463,946	141,943,724	111,001,550	60,248,326	32,264,028	17,726,777	-	503,730,065
Net Book Value At June 30, 2023	103,809,306	51,152,233	62,399,338	59,876,603	39,039,345	3,136,681	6,980,712	454,336,942	780,733,160

Property, Plant and Equipment

2021-22	Lease hold land and Buildings	Water Meters	Water & Sewer Infrastructure	Pumps & Motors	Motor vehicles, including, motor cycles	Computers and related Equipment	Office Equipment, Electric fence, Furniture & fittings	Capital work in progress	Total
Cost or valuation									
At July 1, 2021	144,891,520	109,962,087	150,224,333	88,949,441	48,705,671	30,170,203	20,939,397	-	593,842,652
Additions for the year	-	15,566,174	11,690,573	68,312,432	38,750,000	1,434,928	237,800	444,521,342	580,513,249
Additions for the year Grants	-	-	22,811,066	-	-	-	-	-	22,811,066
Disposals for the year	-	-	-	-	-	-	-	-	-
At June 30, 2022	144,891,520	125,528,261	184,725,972	157,261,873	87,455,671	31,605,131	21,177,197	444,521,342	1,197,166,967
Depreciation									
At July 1, 2021	31,071,053	76,217,308	81,811,651	69,549,312	22,839,926	21,419,929	13,618,822	-	316,528,001
Charge for the year	3,736,017	10,098,126	3,858,685	21,144,124	18,724,200	6,006,407	1,293,410	-	64,860,969
Impairment loss	1,260,242								1,260,242
disposal	-	-	32,103,880	-	-	-	618,869	-	32,722,749
As at 30th June 2022	36,067,312	86,315,434	117,774,216	90,693,436	41,564,126	27,426,336	15,531,101	-	415,371,961
Net book value									
At June 30, 2022	108,824,208	39,212,827	66,951,756	66,568,437	45,891,545	4,178,795	5,646,096	444,521,342	781,795,006

Capital work in Progress relates to re-location of water and sewerage infrastructure along Nairobi- Nakuru highway Barnabas - Njoro turn off to pave way for the construction of the highway. The Funds were provided by Kenya National Highway Authority and construction of Public Sanitation Facility at Heshima funded by Water sector Trust fund.

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Notes to the financial statements (continued)

LEASE HOLD LAND AND BUILDING

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

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

Lands and buildings have been classified under Property, Plant and Equipment as per the requirement of the Financial Statements template.

17. Intangible Assets

	2022-23 Kshs	2021-2022 Kshs
Cost		
At July 1 st	64,239,195	49,981,015
Additions	5,808,000	14,258,180
Disposals	=	=
At June 30 th	70,047,195	64,239,195
AMORTISATION		
At July	(35,037,400)	(20,134,487)
Charge for the year	(16,817,531)	(14,902,913)
Disposals	-	-
Impairment loss	-	-
At June 30 th	<u>(51,854,931)</u>	<u>(35,037,400)</u>
Net book value		
At June 30 th	<u>18,192,264</u>	<u>29,201,795</u>

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

18. Unquoted Investments

	2022-23 Kshs	2021-2022 Kshs
Cost		
At July 1 st	100,000	100,000
Additions	-	-
Disposals	-	-
At June 30 th	100,000	100,000
IMPAIRMENT		
At July 1 st	-	-
Disposals	-	-
At June 30 th	-	-
NET BOOK VALUE	100,000	100,000

The company owns 100% shares in NAWASSCOAL which produces briquettes

NAWASSCOAL Ltd	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No		Shs	Shs
	100	-	-	100,000	100,000	100,000
	100	-	-	100,000	100,000	100,000

19. Inventories

	2022-23 Kshs	2021-2022 Kshs
Inventory- Chemicals	4,425,819	10,704,790
Water For Life Project (WFL)	225,014	494,961
Stationary & Accessories	3,194,727	2,791,809
Revolving Funds Project	758,285	846,935
Water Meters	7,570,250	6,196,780
Water Networks Extensions	1,544,084	2,485,496
Sewer Maintenance Fittings	38,130	38,130
Other Stocks	4,163,160	2,522,469
Protective Clothing & Clothe	-	702,540
Electromechanical	6,396,140	6,225,517
Pumps & Motors	4,375,414	4,478,824
Tools	125,864	20,764
Water Pipeline Maintenance Fittings	8,742,168	9,581,022
Motor Vehicle Spare Parts	<u>206,668</u>	<u>87,580</u>
Total	41,765,724	47,177,617

The inventories relate to consumable materials for operations and maintenance.

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20. Trade and Other Receivables

	2022-23	2021-2022
	KShs	KShs
Net trade receivables (Note 20 a)	649,346,561	597,514,886
Other Receivables		
Deposits and prepayments	11,313,327	11,313,327
VAT recoverable	15,093,230	15,093,230
Staff receivables (Note 20 b)	36,619	29,666
Staff Debtor-A Turgut, M Muchai, G. Nyaata & B. Muibu	3,219,256	3,219,256
NAWASSCOAL Loan	17,477,375	17,477,375
Cash collection by Posta	201,686	202,541
Accrued Interest on NAWASSCOAL Loan	2,893,486	1,869,617
Accrued interest on fixed Deposit	3,581,899	3,316,875
Total trade and other receivables	703,163,439	650,036,773

20. (a) Trade Receivables

	2022-23	2021-2022
	Kshs	Kshs
Trade receivables	649,346,561	598,479,396
Bad debts written off	-	(964,510)
Net trade receivables	649,346,561	597,514,886
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	8,778,497	5,364,251
Between 30 and 60 days	5,778,508	1,458,434
Between 61 and 90 days	12,206,096	5,652,779
Between 91 and 120 days	11,447,914	10,663,818
Over 120 days	611,135,545	563,843,984
Total	649,346,561	597,514,885

20. (b) Staff Receivables

	2022-23	2021-2022
	Kshs	Kshs
Gross staff loans and advances	36,619	29,666
Provision for impairment loss	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20. (c) Reconciliation of Impairment Allowance for Staff Receivables

Description	2022-23	2021-2022
	KShs	KShs
At the beginning of the year	29,666	28,334
Additional provisions during the year	266,422	187,920
Recovered during the year	(259,469)	(189,766)
Written off during the year	(-)	(-)
At the end of the year	36,619	29,666

21. Short Term Deposits

	2022-23	2021-2022
	Kshs	Kshs
Commercial banks		
Fixed deposit- Cooperative Bank	50,000,000	160,000,000
Call deposit-Cooperative Bank	-	50,000,000
Accumulated Investments	50,000,000	210,000,000

The company on 23rd June, 2022 invested Kshs160M in a fixed deposit account at Cooperative bank at interest rate of 9.75% which matured on 23rd June 2023 and credited back into the Savings Bank together with the interest.

On 7th October, 2021 the Company also invested Kshs 50m in a fixed deposit at Cooperative Bank at interest rate of 8.25% which matured on 7th October, 2022. The Kshs 50 million was re invested in fixed deposit on 19th October 2022 at interest rate of 10.25% pa and will mature on 19th October 2023.

The company has accrued interest up to 30th June 2023 amounting to Kshs 3,581,899 for the fixed deposits.

22. Bank and Cash Balances

	2022-23	2021-2022
	Kshs	Kshs
Cash at bank	235,115,031	148,835,909
Cash in hand	-	-
Mobile money account	93,566	140,628
	235,208,597	148,976,537

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022-23	2021-2022
		KShs	KShs
a) Current account			
Commercial banks			
Co-operative bank (Revenue A/C)	01136087648601	5,610,063	51,406,953
Co-operative bank (Expenditure A/C)	01136087648600	15,138,779	13,531,914
Co-operative bank (Savings A/C)	01100087648600	188,655,128	33,646,478
Co-operative bank (Water Worx A/C)	01136087648611	1,949	6,269
Co-operative bank (NACOSTEC A/C)	01136087648612	3,493	159,538
Co-operative bank (WSTF CLSG A/C)	01136087648613	-	830
Co-operative bank (KeNHA Pipeline re-location A/C)	01136087648614	12,011,608	27,869,942
Co-operative bank (Performance Guarantee A/C)	01246087648600	7,396,378	7,396,378
Co-operative Bank Heshima UPC Project	01136087648615	1,028,850	992,071
Co-operative bank (WSTF CLSG A/C)	01141087648600	2,000	-
Co-operative bank (WSTF CLSG Escrow A/C)	01246087648601	100,000	-
Family bank – revenue collection	018000046253	3,860,402	11,165,837
Equity bank – revenue collection	0310261237839	1,306,381	2,659,699
Mobile money account	111444	93,566	140,628
Sub- total		235,208,597	148,976,537
Others		-	-
Sub- total			

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Financial institution	Account number	2022-23 KShs	2021-2022 KShs
b) On – call deposits			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
c) Fixed deposits account			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Sub- total		-	-
Grand total		235,208,597	148,976,537

23. Ordinary Share Capital

	2022-23 Kshs	2021-2022 Kshs
Authorized:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

24. (a) General Reserves

	2022-23 Kshs	2021-2022 Kshs
Customer Accounts debtors	443,091,806	443,091,806
National Water Corporation	(168,490,370)	(168,490,370)
Laptrust Pension	(6,145,100)	(6,145,100)
NSSF	(5,562,345)	(5,562,345)
TOTAL	262,893,992	262,893,992

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned by the Director of Water –Ministry of Water Resources Management and Development.

The operational assets included customer accounts amounting to Kshs. 443,091,806 while the operational liabilities included amounts due to National Water Corporation Kshs. 168,490,370, KPLC Kshs. 45,108,015 and employees' statutory deductions Kshs.11, 707,446 all amounting to Kshs.225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. Overall the net operational assets amounting to Kshs.217, 785,976 were included as a capital reserve in the Financial Statements.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs.168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs.45, 108, 015 was settled because the current bills had been up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs.6, 145,100 the Non -current accounts payable reduced to Kshs.174, 052,100 as at 30th June 2019 while the general reserve increased to Kshs.262, 893,991.

24 (b) Non-Current Accounts payable

	2022-23	2021-2022
	Kshs	Kshs
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100.000</u>	<u>100.000</u>
TOTAL	174,152,715	174,152,715

This relates to operational liabilities transferred from the defunct Municipal council of Nakuru to the company in 2004. The amounts were due to National Water Corporation Kshs. 168,490,370, KPLC Kshs. 45,108,015 and employees' statutory deductions Kshs.11, 707,446 all amounting to Kshs.225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs.168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs.45, 108, 015 was settled because the current bills were up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs. 6,145,100 the Non -current accounts payable reduced to Kshs.174, 052,100.

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

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25. Revaluation Reserve

	2022-23	2021-2022
	Kshs	Kshs
Revaluation of land and office block	32,980,405	34,240,647
Amortization on revaluation	(1,260,242)	(1,260,242)
Total	31,720,163	32,980,405

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

26. Retained Earnings

	2022-23	2021-2022 (Restated)
	Kshs	Kshs
As at 1 July	203,108,198	160,131,159
DT not recognized in prior years/periods		71,222,970
Deferred tax recognized in the year 2022		(37,685,340)
Profit for the year	3,127,331	9,439,409
Dividends declared	-	-
As at 30 June	206,235,529	203,108,198

The retained earnings represent amounts available for distribution to the NAWASSCO shareholders. However, the directors did not declare any dividend. The undistributed retained earnings are utilised to finance the NAWASSCO business activities.

The prior year retained earning Kshs 169,570,568 has been restated due to incorporation of deferred tax.

27. Deferred Tax Asset

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax Asset at year end is attributable to the following items:

	2022-23	2021-2022 (Introduced)
	Kshs	Kshs
Accelerated capital allowances	37,402,407	31,294,815
Unrealized exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	3,240,974	2,242,816
Net deferred tax Asset	40,643,381	33,537,630

The company has introduced deferred tax for the first time. The opening balance in the statement of financial position has been restated due to the introduction of deferred tax.

The movement on the deferred tax account is as follows:

	2022-23	2021-2022 (Introduced)
	Kshs	Kshs
Balance at beginning of the year	33,537,630	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	71,222,970
Income statement charge/(credit)	7,105,751	(37,685,340)
Balance at end of the year	40,643,381	33,537,630

28. Provisions

Description	Leave Provision	Gratuity provisions	Total
	KShs	KShs	KShs
Balance at the beginning of the year 1 st July 2022	3,234,587	4,241,465	7,476,052
Additional Provisions	2,250,173	1,077,021	3,327,194
Provision utilised	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-
Balance at the end of the year 30th June 2023	5,484,760	5,318,486	10,803,246

Provisions details

Description	2022-23	2021-2022
	Kshs	Kshs
Current Portion of Provisions	5,484,760	3,234,587
Long-term portion of Provisions	5,318,486	4,241,465
Total	10,803,246	7,476,052

29. Trade and Other Payables

	2022-23	2021-2022 (Restated)
	Kshs	Kshs
Trade payables	499,065,790	526,154,857
Other payables	9,803,434	<u>14,170,343</u>
As at 30th June,	508,869,224	540,325,200

The customer's prepayments prior year Kshs. 24,752,186 has been classified under Note 30 Refundable Deposits and Prepayments

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Aging Analysis for Trade and other Payables

	2022-23 FY	% of the total	2021-22 FY	% of the total
Under one year	77,091,917	29%	52,610,031	10%
1-2 years	155,980,487	55%	197,748,006	37%
2-3 years	-	-	-	-
Over 3 years	275,796,820	15%	289,967,163	53%
Total	508,869,224		540,325,200	

30. Refundable Deposits and Prepayments

	2022-23	2021-2022 (Restated)
	Kshs	Kshs
Customer deposits	137,371,632	130,797,972
Add: deposits received during the year	7,215,188	7,789,171
Less: Refunded deposits during the year	1,598,678	1,215,511
Prepayments by customers	29,883,224	24,752,186
Total	172,871,366	162,123,818

Aging Analysis for Refundable Deposits and Prepayments

The company has not aged the above Refundable deposits as they relate customer deposits which are refundable after customer account closure and customer prepayments which depend on customer water and sewerage consumption and are only refundable after account closure together with deposit.

31. Deferred Income

Description	2022-23	2021-2022 (Restated)
	KShs	KShs
Grant from WSTF	11,240,944	9,255,737
Grant Prepaid Meters by SUWASA	20	20
Grants by Vitens Evides	19,733,522	29,103,481
Grants by County Government of Nakuru	1,237,736	1,856,605
Grants by UNICEF	15,565,496	20,571,676
Grants by KENHA	449,090,141	449,090,141
Total deferred income	496,867,860	509,877,661

The deferred income was classified under Non-current liability in the Statement of the Financial Position in the previous year but has now been classified under Current Liabilities as per the requirement of the financial reporting template.

The deferred income movement is as follows:

	County government	International funders	Government Ministry	Total (Restated)
Balance brought forward	1,856,605	49,675,177	458,345,878	509,877,660
Additions	-	-	3,967,500	3,967,500
Amortization	(618,869)	(14,376,140)	(1,982,293)	(16,977,302)
Balance carried forward	1,237,736	35,299,037	460,331,085	496,402,102

32. Notes to The Statement of Cash Flows

	2022-23 Kshs	2021-2022 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	3,127,331	9,439,409
Depreciation	70,120,561	61,124,952
Amortization of land and buildings	-	3,736,017
Amortization	16,817,531	14,902,913
Working capital changes:		
(Increase)/decrease in inventories	5,411,893	(25,253,201)
(Increase)/decrease in trade and other receivables	(53,126,666)	64,606,946
Increase/(decrease) in trade and other payables	(31,455,976)	(48,443,799)
Increase/(decrease) in provision for staff leave and gratuity pay	3,327,194	765,870
Increase in Customer Deposit and customer prepayments	10,747,548	6,573,661
Income Tax payable	(2,494,847)	(800,541)
Deferred Tax Asset	(7,105,751)	-
Cash generated from/ (used in) operation	15,368,818	86,652,227
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	50,000,000	210,000,000
Cash at bank	235,208,597	148,976,537
Cash in hand	(-)	(-)
Balance at end of the year	285,208,597	358,976,537
(d) Analysis of interest paid		
Interest on loans	-	-
Interest on bank overdraft	-	-

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	2022-23	2021-2022
	Kshs	Kshs
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	-	-
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2022 dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Other Disclosures

33. Related Party Disclosures

County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Nakuru has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of Nakuru
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors
- NAWASSCOAL Company Ltd

Transactions with related parties

	2022-23	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Sales of goods /services to County Government of Nakuru	23,060,605	17,466,261
Water sales to Govt. agencies	39,060,605	45,777,839
Sale of goods /services to NAWASCOAL	406,159	102,932
Total	62,527,369	63,347,032
b) Purchases from related parties		
Purchase of water from Govt service providers	-	-

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	2022-23 Kshs	2021-2022 Kshs
Rent expenses paid to Govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	3,967,500	-
Grants from County Government	-	-
Donations in kind	-	-
Total	3,967,500	-
c) Key management compensation		
Directors' emoluments	6,164,792	11,102,300
Compensation to key management	46,823,961	36,886,125
Total	52,988,753	47,988,425

34. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are

	2022-23 Kshs	2021-2022 Kshs
Amounts authorized and contracted for	642,179,966	642,179,966
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	(448,910,142)	(444,521,342)
Total funds	193,269,824	197,658,624

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

Contingent Assets and Liabilities

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

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

35. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential

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adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

i. Credit risk

The 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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Receivables from exchange transactions	649,346,561	255,732,300	393,614,261	-
Bank balances	<u>235,208,597</u>	<u>235,208,597</u>	=	=
Total	884,555,158	490,940,897	393,614,261	-
At 30 June 2022				
Receivables from exchange transactions	597,514,886	235,319,420	362,195,466	-
Bank balances	<u>148,976,537</u>	<u>148,976,537</u>	=	=
Total	746,491,423	384,295,957	362,195,466	-

Credit Risk

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 recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from domestic consumers.

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

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	55,874,701	21,217,216	421,973,873	499,065,790
Provisions	-	-	10,803,246	10,803,246
Deferred income	-	-	496,402,102	496,402,102
Other payables	-	-	9,803,434	9,803,434
Total	55,874,701	21,217,216	938,982,655	1,016,074,572
At 30th June 2022				
Trade payables	52,610,031	14,543,602	459,001,224	526,154,857
Customer Deposits	874,886	2,624,657	133,872,090	137,371,633
Employee benefit obligation	6,153,446	-	7,476,052	13,629,498
Pipeline relocation funds & uncredited customers	-	395,194	1,692,025	2,087,218
WaterWorx Projects. Withholding taxes and revolving fund	-	-	5,929,679	5,929,679
Customer pre-payments	1,237,610	2,475,218	21,039,358	24,752,186
Total	60,875,973	20,038,671	629,010,428	709,925,071

iii. Market risk

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

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

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

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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.

a) Interest rate risk

Interest rate risk is the risk that the Company'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 from interest rate movements on the company's deposits.

i) Management of interest rate risk

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

ii) 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 Company's capital structure comprises of the following funds:

	2022-23 FY	2022-2023 FY
	Kshs	Kshs
Revaluation reserve	31,720,163	32,980,405
Retained earnings	178,481,494	169,570,568
General reserve	262,893,992	262,993,992
Total funds	473,095,649	465,544,965

36. Incorporation

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

37. Events After the Reporting Period

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
1. REPORT ON THE FINANCIAL STATEMENTS					
Qualified Opinion					
Basis for Qualified Opinion					
1. Inaccuracies in Comparative Balances	<p>The statement of profit or loss and other comprehensive income reflects comparative balances which differ with the audited balances for the year ended 30 June, 2021 as indicated in appendix 1.</p> <p>In the circumstances, comparative balances reflected in the statement of profit or loss and other comprehensive income could not be confirmed.</p>	<p><i>The comparative balances which the company reported in the audited balances for the year ended 30 June, 2021 are different because of the new revised annual financial reporting template that was issued by the Public Sector Accounting Standards Board on 6th July, 2022 specifically for Water Companies which was to be used effective annual reporting for the financial year ending 30th June, 2022. This led to reclassification of figures in the year under review resulting to some figures being reported under different categories and description thus the difference in audited the comparative figures. The response for each item has now been explained.</i></p>	Isaac M. Makori - Finance Manager	Not Resolved	30 th June, 2024
2. Unaccounted for Water Inventory	<p>The statement of financial position reflects inventories balance of Kshs. 47,177,617. However, the balance excludes the water inventories held in the storage facilities as at the close of the financial year.</p> <p>In the circumstances, the accuracy and fair statement of inventories</p>	<p><i>The company does not have water storage facilities because the water that is abstracted from boreholes 26 No. and river sources 2 No. is distributed directly to consumers through an underground pipe network for continuous consumption.</i></p> <p><i>The Company has total distribution network of over 580 kilometres comprising of various sizes of pipes ranging from 24" to 2" diameter and</i></p>	Isaac M. Makori - Finance Manager/ Gilbert K. Mutai- Ag. Technical Manager	Not Resolved	30 th June, 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	balances of Kshs. 47,177,617 as at 30 June, 2022 could not be confirmed.	<p>therefore the water in the distribution lines cannot be practically measured. In addition, the is not able to meet the demand of water because it produces an average of 40,000M³ per day against a demand o 75,000M³ per day</p> <p>The company appreciates that this is a new requirement for Water Companies to start reporting on the water inventories held in the storage facilities as at the close of the financial year. However, the reporting standards and guidelines needs to be issued for enable the water companies to comply.</p>			
3. Trade and Other Receivables Balance	<p>i. Included in the amount is Kshs. 310,671,185 owed by nine thousand, three hundred and thirty-nine (9,339) customers whose water accounts have been terminated or remained dormant for a period exceeding six months. However, no provisions have been made for the likely impairment. Further, management has not demonstrated any appropriate measures taken including legal action to enforce collection of the debts.</p>	<p>The balance of Kshs310,671,185 which was being owed by Nine thousand, three hundred and thirty-nine (9,339) customers whose accounts had been terminated or remained dormant was due to the accounts balances which had been inherited from the defunct Municipal Council of Nakuru (MCN) and are under investigations because the accounts cannot be traced on the ground.</p> <p>These accounts are under investigations and therefore shall be cleared once the investigations are complete.</p> <p>Using the ERP billing system, the company is continuously reviewing all the noncollectable customer balances.</p>	James M. Gathairu - Commercial Manager/	Not Resolved	30 th June, 2024
	<p>The statement of financial position reflects trade and other receivables balance of Kshs. 650,036,773. The following inconsistencies were however noted: -</p> <p>In the circumstances, the accuracy and fair statement of trade and other receivables amount of Kshs. 650,036,773 as at 30 June, 2022 could not be confirmed.</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>ii. The balance also includes an amount of Kshs. 241,883,014 owed by County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, Kshs. 215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and remained outstanding since its takeover in 2013. There was no evidence of steps taken by the Company to recover provided for audit verification. Further, records maintained at the County Government did not reflect any payables to the Company.</p>	<p><i>The amount of Kshs215,703,436 was initially taken over by the then Transition Authority who verified the amount as payable and later handed over to the Nakuru County Government for payment.</i></p> <p><i>We have constantly followed up with the County Government for payment through physical visits, demand letters and disconnections to enforce payment.</i></p> <p><i>In the month of May 2021, the above amount was audited and verified by Auditor General who captured it as pending bills payable by the County Government of Nakuru.</i></p> <p><i>In the month of December, 2022 the County Government asked the suppliers to the County who had not been paid to lodge their claims to which the Company also lodged its claim of nonpayment of water bills. The claim was acknowledged by the County Government of Nakuru.</i></p>	<p>MD& James M. Gathairu - Commercial Manager</p>	<p>Not resolved</p>	<p>30th June, 2024</p>
	<p>iii. The balance also includes staff debtors of Kshs. 3,219,256 in respect of fuel lost through fraud during the period of September to November, 2020. Although</p>	<p><i>The Company recorded a loss of fuel amounting to Kshs3,219,256 and the employees who were found culpable were dismissed from service pending Criminal Investigations and Judgement by the Court.The matter is still in court waiting a determination.</i></p>	<p>MD &Carditor W. Muchoki, Human Resource and Administrati on Manager</p>	<p>Not resolved</p>	<p>30th June, 2024</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	disciplinary action had been taken against the involved officers, management of the Company had not commenced recovery of the amount.	<p><i>As per the Company's Policy on the same, none of the persons found culpable has accessed their terminal benefits nor cleared by the Company to access their Pension Benefits until the conclusion of the matter.</i></p> <p><i>As part of the control measures, the company has put in place a fuel and fleet management which records the usage of fuel by each motor vehicle or cycle.</i></p>			
iv.	The balance also includes an amount loaned to NAWASSCOAL Company Limited, a subsidiary Company of Kshs. 17,477,375 which is not supported by a loan agreement or repayment plan.	<p><i>The total amount of the loan Kshs17,477,375 advanced to NAWASSCOAL was disbursed in 3 tranches of Kshs4,621,945, Kshs8,855,430 and Kshs4,000,000 on 3rd November, 2018, 9th October, 2019 and 15th September, 2021 as per the loan agreements.</i></p> <p><i>There was a delay by NAWASSCOAL to start repayment of the loans according to the agreements due to several challenges such as technological issues, low product demand, high production costs, and the Covid-19 pandemic effects.</i></p> <p><i>To tackle these challenges, NAWASSCOAL through the support of its development partners enlisted the services of a consultancy firm, Private Equity Support (PES) to develop turnaround strategies aimed at enhancing production and sales, decreasing production costs, and restructuring the company.</i></p>	MD & Isaac Makori Finance Manager	Not resolved	30 th June, 2024

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		<p><i>In addition, NAWASSCOAL had requested to resume loan repayment, including the accumulated interests, in the financial year 2023/2024.</i></p> <p><i>The Loan Agreements and repayment plans are now available.</i></p>			
4. Undisclosed Loan from African Development Bank (AfDB)	<p>The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs. 560,114,800 which includes an amount of Kshs. 39,468,545 in respect of lease fees to Central Rift Valley Water Works Development Agency (CRVWWDA). As previously reported, the lease fees relate to repayment of loan of Kshs. 994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Works Development Agency (RVWWDA) in 2014. Although the company continues to service it, the outstanding loan balance is not reported on the</p>	<p><i>According to the Water Act 2002, the development of water and Sanitation infrastructure was the mandate of Water Service Boards who under a Service Provision Agreement (SPA) appointed agents to operate and maintain the assets while the ownership remained with the Service Boards. The company was one of the appointed agents of Rift Valley Water Services Board (RVWSB)</i></p> <p><i>The former RVWSB currently Central Rift Valley Water Works Development Agency (CRVWWDA) being owner of the water assets in the year 2004-2009 obtained a loan from African Development Bank (AfDB) through the Government of Kenya for the construction of the Olbanita Water Project and other related works. After the completion of the project it was handed over to the company for operations and maintenance but RVWSB retained the ownership of the assets.</i></p> <p><i>The loan documents held by RVWSB/CRVWWDA indicates that, the Government of Kenya acting through its Ministry of</i></p>	MD& Isaac Makori Finance Manager	Not resolved	30 th June, 2024

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	<p>financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act No.17 of 2015 which requires accounting records of the Company to contain day-to-day entries of all amounts of money received and spent.</p> <p>In the circumstances, the accuracy and fair statement of the liabilities in respect of the undisclosed African Development Bank (AfDB) and which the Company is servicing could not be confirmed.</p>	<p><i>Finance in the year 2005 signed a loan agreement with RVWSB/CRVWWDA for financing projects to improve water supply and sanitation services in its service area. The loan was from African Development Bank (AfDB) to the Government for on-lending to RVWSB/CRVWWDA.</i></p> <p><i>The RVWSB/CRVWWDA was required to use the money for projects in its service area being served by Nakuru Water and Sanitation Services Company Ltd (NAWASSCO), Naivasha Water and Sanitation Services Ltd (NAIVAWASS) and Nakuru Rural Water and Sanitation Company Ltd (NARUWASSCO). The Principal loan amount was Kshs.1, 367,823,916.00 at an interest rate of 2.5% p.a over a tenor of 30 years including a grace period of 5 years which after completion of the various projects in each Company's area of jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 before interest which the company servicing through CRVWWDA at Kshs.39, 468,544.80 p.a.</i></p> <p><i>It is important to note that the Water Act, 2016 has not been fully operationalized since the ownership of the Olbanita Project including the various parcels of land for the boreholes, water treatment plants and water tanks are in the name of RVWSB/CRVWWDA</i></p>			

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		<p><i>which causes a challenge in recording the same as assets in the company books of accounts. The company is only using the assets to generate revenue and remittance of part of the revenue to RVWSB/CRVWWDA for loan repayment.</i></p> <p><i>If the company records the loan and the related assets in its books it would result to double accounting since the same is already recorded in the books of RVWSB/CRVWWDA.</i></p> <p><i>However, the Company is currently treating the loan repayment as a lease fees payable for use of the assets and expensing it in the financial statement.</i></p> <p><i>The Company is waiting for a formal transfer of assets and liabilities from the CRVWWDA as per the Water Act 2016.</i></p>			
Other Matter					

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1. Budgetary Performance and Control	<p>The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs. 1,231,855,528 against actual income of Kshs. 1,019,336,191 resulting to an overall revenue shortfall of Kshs. 212,519,337 or (17%) of the budget. In addition, out of the actual revenue of Kshs. 1,019,336,191, actual expenditure was Kshs. 1,132,638,266 resulting to unexplained over expenditure of Kshs. 113,302,075 or (11%).</p> <p>The revenue shortfall may have impacted negatively on service delivery to the residents of Nakuru Town and the lawfulness of over expenditure could not be confirmed.</p>	<p>a) Revenue Shortfall of Kshs 212,519,337</p> <p><i>The revenue short fall of Kshs 212,519,337 between the budgeted and actual revenue was as a result of delay in the commissioning of 14 No. new donated boreholes by Ministry of Water, Sanitation and irrigation whose estimated revenue generation was included in the budget but by the end of the year under review only 4 No. had been put into operation due to challenges of getting the other pumps connected to power.</i></p> <p><i>These challenges are in the process of being sorted out.</i></p>	James M. Gathairu, Commercial Manager & Gilbert K. Mutai, Ag. Technical Manager	Not resolved	30 th June, 2024
		<p>b) Over expenditure of Kshs. 113,302,075</p> <p><i>The over expenditure was due to amounts charged but they are not part of the budget line items. These amounts include: -</i></p> <ul style="list-style-type: none"> <i>i. Depreciation of Kshs 79,763,882 which had not been factored in the budget because it does not involve the movement of cash.</i> <i>ii. Corporate income tax Kshs 13,250,422 which had not been budgeted.</i> <i>iii. Additional capital grant assets Kshs 22,811,066 which had not been factored in the budget</i> 	Isaac Makori - Finance Manager	Not resolved	30 th June, 2024

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		<i>In addition, the budgeted revenue was not achieved as explained under (a) above. Going forward, we shall ensure that the budgeted revenues are achieved and some provision is allowed in the budget to take care of depreciation.</i>			
2.Unresolved Prior Year Matters	<p>During the year under review, various prior year audit issues remained unresolved. Management has not provided reasons for the delay in resolving the prior year audit issues. This is contrary to the requirements of the Public Sector Accounting Standards Board reporting guidelines.</p> <p>In the circumstances, Management has not compiled with the reporting template.</p>	<p><i>On 4th July, 2023, the Governor for Nakuru County and the company management appeared before the Senate Committee on Public Investment and Special Funds during which they presented to the committee the responses to the Auditor General report for the year ended 30th June, 2018/2019, 2019/2020 and 2020/2021.</i></p> <p><i>The Senate Committee requested for addition information which was provided and it is yet to communicate its recommendations.</i></p> <p><i>In addition, on 3rd July, 2023 the company management of the appeared before the County Assembly Committee on Public Accounts and Investments and presented its responses the report of the Auditor General for the period ended 30th June, 2021. The Assembly Committee is yet to communicate its recommendations.</i></p>	<i>MD& Isaac Makori Finance Manager</i>	<i>Not resolved</i>	<i>30th June, 2024</i>
2. REPORT ON LAWFULNESS AND EFFECTINESS IN USE OF PUBLIC RESOURCES					
Basis for Conclusion					
1.Non- Revenue Water	The statement of profit and loss and other comprehensive income reflects water sales of Kshs. 610,398,389 as disclosed in Note 6 to	<i>The company is very keen on reducing NRW to below the sector bench mark levels of 25% and a lot of measures have been put in place bring it down.</i>	<i>Gilbert K. Mutai -Ag. Technical Manager &</i>	<i>Not resolved</i>	<i>30th June, 2024</i>

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	<p>the financial statements. Available records indicate that the Company produced 11,502,201 cubic meters of water out of which, only 8,021,159 cubic meters or 70% were billed to consumers resulting to 3,481,042 cubic meters or approximately 30 % of the production as Non-Revenue Water (NRW) at an estimated value of Kshs. 162,564,638. The Non-Revenue Water exceeded the set threshold of 25% approved by the Water Services Regulatory Board (WASREB) guidelines. No explanations have been rendered for the high NRW and measures being put in place to resolve the loss in revenue.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>Some of the interventions that have been undertaken to bring down the NRW include; -</i></p> <p><i>i. Rehabilitation of old dilapidated networks within the supply area.</i> <i>The company has rehabilitated some of the water networks with the aim of reducing physical losses at Eastern Zone and part of Northern Zone by replacing the old dilapidated network with a new network of about 26kms. The Company has replaced the old and dilapidated networks in Mawanga, Eastmore, Upperhill and Natewa Estates which had an average baseline NRW of 52.4% and at Heshima Estate in Eastern Zone with a baseline NRW of 67.2%.</i></p> <p><i>ii. Use of high quality pipes and fittings</i> <i>In addition, the company is currently using High Density Poly Ethylene (HDPE) pipes instead of Ultra Poly Vinyl Chlorite (UPVC) for network extension and maintenance. HDPE pipes are stronger, can withstand higher pressure, have less joints and less prone to leaks and bursts.</i></p> <p><i>iii. Replacement of old/faulty and under registering meters</i> <i>The company is replacing faulty/old/under registering meters with automatic meter reading (AMR) enabled meters which are more accurate with the aim of automating them fully for real time meter reading and</i></p>	James M. Gathairu-Commercial Manager		

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		<p><i>easier NRW computations. Once fully automated human errors will be eliminated and accurate billing will be achieved. So far 15,000 smart enabled meters have been installed within Central and Southern Zones.</i></p> <p>iv. Data management <i>The company has procured and implemented a new ERP system which enhances data accuracy and management of water production, zonal and consumer meters as well as billing data. The company is now able to obtain real time, credible and accurate data for ease of NRW management.</i></p> <p>v. Minimizing water theft <i>Due to rampant water theft mainly in the low income areas, the Ccompany has resolved to have all meters relocated to the nearest mains. So far 12000 meters have been relocated. Further surveillance for illegal use has been intensified whereby the illegal use team have been facilitated with a vehicle, a motorbike and security reinforcement where need be. The unit is able to investigate, monitor and penalize illegal use cases and it is also responsible for billing data analysis (Checking customer consumption/billing trends) and meter testing/ccalibration.</i></p> <p>vi. Carrying out Minimum Night Flow Measurement (MNFM)</p>			

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		<p><i>MNFM helps to determine the integrity of the system in terms of leakages. This has been done at Manyani Estate in Southern Zone and Mawanga, Eastmore, Upperhill and Natewa Estates in Eastern Zone.</i></p> <p><i>The company was able to achieve a NRW of 30% by end of 30th June, 2022 and 29% by end of June, 2023</i></p>			
2. Relocation of Water and Sewerage Infrastructure Project	<p>The Company entered into a contract with a local contractor to relocate water and sewerage infrastructure at a contract price of Kshs. 642,546,934 funded by Kenya National Highways Authority (KENHA) with effect from 03 May 2022 and completion date of 03 August 2022 to pave way for construction of Nairobi-Nakuru- Mau Summit Highway. An extension of time was given and a new completion date was set for 31 December, 2022. As at the time of audit the certified works were valued at Kshs642,179,965 against actual payment of Kshs444,521,342 resulting to outstanding balance of Kshs198,359,641. However, available records indicated that</p>	<p><i>The Company has no record showing suspension of the construction of Nairobi-Nakuru-Mau Summit Highway Road Project. However, the relocation of water and sewerage infrastructure has since been completed and a certificate of completion issued.</i></p> <p><i>In regard to the contract outstanding amount of Kshs198,359,641, Kshs70,000,000 has since been released by KeNHA and paid to the Contractor leaving an outstanding balance of Ksh128,359,641</i></p>	MD& Isaac Makori Finance Manager	Not resolved	30 th June, 2024

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	<p>KENHA, the project's financier and state agency in charge of roads construction suspended the construction of the road project in December 2022 without any communication or directives on the relocation process.</p> <p>In the circumstance, value for money on water infrastructure payments of Kshs.444,521,342 could not be confirmed.</p>				

3.REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

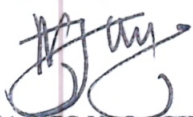
Basis for Conclusion

<p>1. Consumer Billings Without Serialized Water Meters</p>	<p>Records provided for the audit revealed that four thousand-three hundred and fifty-four (4,354) water customers had meters without serial numbers in the billing system. This inhibited the ease of identification and accountability. Although income of Kshs. 159,956,0556 was realized from these accounts, the individual serialized meter numbers are not captured in the Company assets records or billing system.</p> <p>In the circumstances, lack of documented water meters, distribution and sale</p>	<p><i>The 4,354 customers without serial numbers also includes raw water accounts that are not metered but billed at a flat rate and are only used by customers along the raw rising main network who require untreated water for washing and feeding animals. The raw water accounts are not metered because of lack of raw water meters in the market. Currently the company has on average about 1600 raw water customers. The remainder of the customers have meters but due to the old age the serial numbers were not clearly visible and thus could not be updated in the system.</i></p> <p><i>However, we are in the process of replacing all these meters with new ones and the</i></p>	<p>James M. Gathairu, Commercial Manager</p>	<p>Not resolved</p>	<p>30th June, 2024</p>
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	system may result in loss of revenue.	respective serial numbers updated in the system.			
2. Long Outstanding Trade and Other Payables Balance	<p>The statement of financial position reflects trade and other payables balance of Kshs. 565,077,386 Included in the balance is Kshs. 275,796,820 owed to Central Rift Valley Water Works Development Agency (CRVWWDA) on account of administrative fees payable that has accrued since the year 2013 due to instructions not to pay issued by the County Government of Nakuru. No explanation has been provided or evidence of steps taken by the Company to resolve the matter.</p> <p>In the circumstances, the Company is exposed to risks of loss of funds through interest and penalties arising from litigations instituted by the creditors for failure to settle amounts owed to suppliers.</p>	<p>The remittance of the administrative fees to Central Rift Water Works Development Agency (CRVWWDA) was stopped due to instructions which the Company received from the County Government of Nakuru vide letter reference NCG/S/NWS/VOL.I/90 dated 2nd April, 2015.</p> <p>The letter from County Government was written to CRVWWDA and copied to the Company with instructions not to pay until further notice. The letter was tabled before the Board of Directors which has a representation of the County Government of Nakuru for adoption and the way forward. It was resolved that since it was the shareholder who gave the instructions, the Company did not have much to do except to wait for further instructions.</p> <p>The Company is waiting for further communication from the County Government of Nakuru.</p>	MD	Not resolved	30 th June, 2024

Signed By:



JAMES N. GACHATHI
MANAGING DIRECTOR



ERNEST K. MUIBU
CHAIRMAN OF THE BOARD

Appendix II: Projects Implemented by the Company Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Re-location of Water and Sewerage Pipeline Network	1	Kenya National Highway authority	May 2021 –	642,179,966	Yes	Yes
Heshima Upc Project	2	Water Sector Trust Fund	April 2023- August 2023	5,207,349	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Re-location of Water and Sewerage Pipeline Network	642,179,966	448,910,142	70%	642,179,966	448,910,142	Kenya National Highway Authority
2	Heshima Upc Project	6,199,224	5,426,800	88%	6,199,224	5,426,800	Water Sector Trust fund and NAWASSCO

Appendix III- Inter-Entity Confirmation Letter

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

Appendix IV: Reporting Disaster Management Expenditure

The company did not incur any cost on disaster management in the year under review since non-occurred. However, the company incurred Kshs 318,000 on training crisis management Committee on disaster preparedness.